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

Form 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 001-38455

MorphoSys AG

(Exact name of registrant as specified in its charter)

Germany	2834	Not Applicable
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

Semmelweisstrasse 7
82152 Planegg
Germany
Telephone: +49 89-89927-0
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

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

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

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

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

Ordinary shares, no-par-value per share: 31,839,572 as of December 31, 2019

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer, a large accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

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

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

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

Item 17 ☐ Item 18 ☐

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

Yes ☐ No ☒

TABLE OF CONTENTS

INTRODUCTION

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

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

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- the timing, progress and results of preclinical studies and clinical trials for our product candidates, including statements regarding the timing of initiation and completion of studies or trials and related preparatory work, the period during which the results of the trials will become available and of our research and development programs;
- the timing of and our ability to obtain and maintain regulatory approval for our product candidates;
- the proposed clinical development pathway for tafasitamab and our other product candidates, and the acceptability of the results of such trials for regulatory approval of such product candidates by the U.S. Food and Drug Administration, or FDA, the European Medicines Agency, or EMA, or comparable foreign regulatory authorities;

- our expectations regarding the size of the patient populations for our product candidates, if approved for commercial use;
- our expectations regarding the timing for meetings with regulatory agencies;
- our intent regarding the commercialization of tafasitamab;
- our estimates of our expenses, ongoing losses, future revenue, capital requirements and our needs for or ability to obtain additional financing;
- our ability to identify and develop new product candidates;
- our ability to identify new collaboration partners and successfully enter into new collaboration arrangements;
- our ability to identify, recruit and retain key personnel;
- our ability to protect and enforce our intellectual property protection for our proprietary and partnered product candidates, as well as the scope of such protection;
- our expectations with regard to our future revenues and our future financial condition;
- our expectations regarding the future development of MOR202 in multiple myeloma and autoimmune indications, among those anti-PLA2R-autoantibody positive membranous nephropathy; and
- the development of and projections relating to our competitors or our industry.

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

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

PART I

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

Not applicable.

Item 2. Offer Statistics and Expected Timetable.

Not applicable.

Item 3. Key Information

A. Selected Financial Data.

Consolidated Net Profit/Loss for the Period

In 2019, the net result for the period amounted to € -103.0 million (2018: € -56.2 million).

STATEMENT OF PROFIT OR LOSS [1]

in million €	2019	2018	2017	2016	2015
Revenues	**71.8**	**76.4**	**66.8**	**49.7**	**106.2**
Cost of Sales	(12.1)	(1.8)	0.0	0.0	0.0
Research and Development Expenses [2]	(108.4)	(106.4)	(113.3)	(94.0)	(78.7)
Selling Expenses [2]	(22.7)	(6.4)	(4.8)	(2.4)	0.0
General and Administrative Expenses [2]	(36.7)	(21.9)	(15.7)	(13.4)	(15.1)
Other Income/Expenses	0.2	1.0	(0.6)	0.2	4.7
EBIT	(107.9)	(59.1)	(67.6)	(59.9)	17.2
Finance Income/Expenses	0.5	(0.3)	(1.2)	0.1	3.4
Income from Reversals of Impairment Losses / (Impairment Losses) on Financial Assets	0.9	(1.0)	0.0	1.0	0.0
Income Tax Benefit / (Expenses)	3.5	4.3	(1.0)	(0.5)	(5.7)
Consolidated Net Profit / (Loss)	(103.0)	(56.2)	(69.8)	(60.4)	14.9
Earnings per Share, basic and diluted (in €) [3]	(3.26)	(1.79)	(2.41)	(2.28)	-
Earnings per Share, basic (in €)	-	-	-	-	0.57
Earnings per Share, diluted (in €)	-	-	-	-	0.57
Shares Used in Computing Earnings per Share (in units), basic and diluted [3]	31,611,155	31,338,948	28,947,566	26,443,415	-
Shares Used in Computing Earnings per Share (in units), basic	-	-	-	-	26,019,855
Shares Used in Computing Earnings per Share (in units), diluted	-	-	-	-	26,244,292
Dividends Declared per Share (in € and $)	-	-	-	-	-

1 Differences due to rounding.

2 In 2018, selling expenses were presented for the first time. In order to provide comparative information for the previous year, the figures for 2017 and 2016 have been adjusted accordingly. The figures for 2015 were not adjusted due to materiality reasons.

3 Basic and diluted Earnings per Share are the same in each of the years ended December 31, 2019, 2018, 2017 and 2016, because the assumed exercise of outstanding stock options and convertible bonds would be anti-dilutive due to our consolidated net loss in the respective periods.

STATEMENT OF FINANCIAL POSITION DATA [1]

in million €	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015
Assets					
Current Assets	303.7	388.9	340.7	308.1	300.1
Non-current Assets [2]	192.7	149.9	74.7	155.5	100.0
Total	**496.4**	**538.8**	**415.4**	**463.6**	**400.1**
Equity and Liabilities					
Current Liabilities [2]	61.6	45.9	47.7	38.3	27.5
Non-current Liabilities [2]	40.2	4.5	9.0	9.8	9.9
Stockholders' Equity [3]	394.7	488.4	358.7	415.5	362.7
Total	**496.4**	**538.8**	**415.4**	**463.6**	**400.1**

1 Differences due to rounding.
2 In 2019, due to the first time adoption of IFRS 16 Leases, right-of-use assets and lease liabilities are included in these figures only for 2019.
3 Includes Common Stock as of December 31, 2019: € 31,957,958; December 31, 2018: € 31,839,572, December 31, 2017: € 29,420,785; December 31, 2016: € 29,159,770; December 31, 2015: € 26,537,682.

FINANCIAL SITUATION [1]

in million €	2019	2018	2017	2016	2015
Net Cash Provided by/Used in Operating Activities	(80.1)	(33.3)	(38.4)	(46.6)	(23.5)
Net Cash Provided by/Used in Investing Activities	78.6	(177.3)	32.9	(80.8)	86.3
Net Cash Provided by/Used in Financing Activities	0.4	179.5	8.2	110.4	(4.1)
Cash and Cash Equivalents (as of 31 December)	44.3	45.5	76.6	73.9	90.9
Financial Assets at Fair Value through Profit or Loss [2]	20.5	44.6	0.0	0.0	0.0
Other Financial Assets at Amortized Cost, Current Portion [2]	207.8	268.9	0.0	0.0	0.0
Other Financial Assets at Amortized Cost, Net of Current Portion [2]	84.9	95.7	0.0	0.0	0.0
Available-for-sale Financial Assets [2]	0.0	0.0	86.5	63.4	64.3
Bonds, Available-for-sale [2]	0.0	0.0	0.0	6.5	33.1
Financial Assets Categorized as Loans and Receivables, Current Portion [2]	0.0	0.0	149.1	136.1	94.6
Financial Assets Categorized as Loans and Receivables, Net of Current Portion [2]	0.0	0.0	0.0	79.5	15.5

1 Differences due to rounding.
2 In 2018, due to the first time adoption of IFRS 9 Financial Instruments, the items representing liquidity are presented in different balance sheet items than in prior years.

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

D. Risk Factors

Our business faces significant risks. You should carefully consider all of the information set forth in this annual report and in our other filings with the U.S. Securities and Exchange Commission, or the SEC, including the following risk factors which we face and which are faced by our industry. Our business, financial condition, or results of operations could be materially adversely affected by any of these risks. This report also contains forward-looking statements that involve risks and uncertainties. Our results could materially differ from those anticipated in these forward-looking statements as a result of certain factors including the risks described below and elsewhere in this annual report and our other SEC filings. See "Special Note Regarding Forward-Looking Statements" above.

Risks Related to Our Financial Condition

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

As of December 31, 2019, we had cash and cash equivalents, financial assets at fair value, with changes recognized in profit or loss, and current and non-current financial assets at amortized cost of € 357.4 million. We believe that we will continue to expend substantial resources for the foreseeable future developing our proprietary product candidates and in particular tafasitamab. These expenditures will include costs associated with research and development, conducting preclinical studies and clinical trials, seeking regulatory approvals, as well as launching and commercializing of products approved for sale, if any, and potentially acquiring new products. In addition, other unanticipated costs may arise. Because the outcome of our anticipated clinical trials is highly uncertain, we cannot reasonably estimate the actual amounts necessary to successfully complete the development and commercialization of our proprietary product candidates.

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

- the numerous risks and uncertainties associated with developing therapeutic product candidates;
- the number and characteristics of product candidates that we pursue;
- the rate of enrollment, the need to expand, the progress, the costs and the outcomes of our clinical trials, which may or may not meet their intended endpoints;
- the timing of, and cost involved in, conducting non-clinical studies that are regulatory prerequisites to conducting clinical trials of sufficient duration for successful product registration;
- the cost of manufacturing clinical supply and establishing a commercial supply of our product candidates;
- the timing of, and the costs involved in, obtaining regulatory approvals for our product candidates if clinical trials are successful;
- the timing of, and costs involved in, conducting post-approval studies that may be required by regulatory authorities;
- the cost of commercialization activities for our product candidates, if any of our product candidates are approved for sale;
- the terms and timing of any collaborative, licensing, or other arrangements that we may establish, including any required milestone and royalty payments thereunder and any non-dilutive funding that we may receive;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims, including litigation costs, if any, and the outcome of any such litigation;
- the timing, receipt, and amount of sales of, or royalties or milestones on, our existing and future products, if any; and
- the costs to recruit and build the commercial organization including key executives needed for transformation.

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

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

We are a late-stage biopharmaceutical company. We have incurred significant losses since our inception. Our consolidated net loss for the year ended December 31, 2019 was €103.0 million. As of December 31, 2019, our accumulated deficit was approximately €255.8 million. The probability of being profitable strongly depends on the successful launch of tafasitamab and we may continue to incur losses in the next years as we continue our research and development of, and seek regulatory approvals for, our product candidates, prepare for and begin to commercialize any approved product candidates and add infrastructure and personnel to support our product development efforts and operations as a public company in the United States. The net losses and negative cash flows incurred to date, together with expected future losses, have had, and likely will continue to have, an adverse effect on our shareholders' deficit and working capital. The amount of future net losses will depend, in part, on the rate of future growth of our expenses and our ability to generate revenue.

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

Our revenue to date has been primarily revenue from the license of our proprietary technology platforms, and milestone and royalty payments for our product candidates against targets provided by our collaborators. Our ability to generate revenue and achieve profitability in the future depends in large part on our ability, alone or with our collaborators, to achieve milestones and to successfully complete the development of, obtain the necessary regulatory approvals for, and commercialize, product candidates. This will require us to be successful in a range of challenging activities, including developing product candidates, obtaining regulatory approval for such product candidates, and manufacturing, marketing and selling those product candidates for which we may obtain regulatory approval. We may never succeed in these activities and may never generate revenue from product sales that is significant enough to achieve profitability. In addition, our revenues depend on the activities of our partners, over which we have no control, in respect of pursuing research and clinical trial activities and, where marketing approval has been granted, commercialization of our product candidates. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become or remain profitable would depress our market value and could impair our ability to raise capital, expand our business, develop other product candidates, or continue our operations. A decline in the value of our company could also cause you to lose all or part of your investment.

Our operating results may fluctuate significantly in the future.

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

- the development status of our product candidates and, particularly, the timing of any milestone payments to be paid or received by us under our collaboration agreements;

- the incurrence of clinical expenses that could fluctuate significantly from period to period;
- the commercial success of the products marketed by our partners, in particular Tremfya®, and the amount of royalties to us associated therewith;
- foreign exchange fluctuations;
- the unpredictable effects of collaborations during these periods;
- the timing of our satisfaction of applicable regulatory requirements;
- the rate of expansion of our clinical development and other development efforts;
- the effect of competing technologies and products and market developments; and
- general and industry-specific economic conditions.

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

Raising additional capital may cause dilution to our shareholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.

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

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

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

Historically, we derived a substantial portion of our revenues from a limited number of collaborations, under which we generated revenues through licensing arrangements such as research and development payments, upfront payments, milestone payments, and, once a product is commercialized, royalty payments based on a portion of the revenue of product sold. We expect royalties from Janssen on sales of Tremfya® to account for a

substantial portion of our revenues for the next several years. The loss of any significant collaborator or any significant reduction in payments by a collaborator may have a material adverse effect on our business, financial condition and results of operations.

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

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

Risks Related to the Development, Clinical Testing and Commercialization of Our Product Candidates

Most of our proprietary product candidates are still in preclinical or clinical development, and only one of our partnered products has been approved for marketing and sale. We cannot give any assurance that any of our product candidates will receive regulatory approval, and if we are unable to obtain regulatory approval and ultimately commercialize our product candidates or experience significant delays in doing so, our business will be materially harmed.

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

- successful completion of preclinical and/or clinical studies;
- successful enrollment of patients in, and completion of, clinical trials;
- successful demonstration of reproducibility in the production process and ability for market supply;
- strategic commitment to particular product candidates and indications by us and our collaborators;
- receipt of regulatory authorizations from applicable regulatory authorities for future clinical trials;
- receipt of product approvals, including marketing approvals, from applicable regulatory authorities;
- successful local and regional pricing and reimbursement negotiations with third-party payors to enable patients' access to our product candidates;
- successful validation of biomarkers and development of biomarker assays in those studies or programs where biomarkers are part of the development plan;
- successful completion of all safety studies required to obtain regulatory approval in the United States, the European Union and other jurisdictions for our product candidates;
- obtaining and maintaining patent and trade secret protection or regulatory exclusivity for our product candidates and brands;

- securing market supply and distribution network
- launching approved product candidates/brands of our product candidates, if and when approved, whether alone or in collaboration with others;
- acceptance of our approved product candidates/brands by patients, the medical community and third-party payors;
- effectively competing with other therapies and ability to demonstrate clinically meaningful results;
- enforcing and defending intellectual property rights and claims;
- maintaining a continued acceptable safety and quality profile of the product candidates following approval; and
- maintaining a continued, sufficient supply of drug product in acceptable quality.

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

In December 2019, we submitted a biologics license application, or BLA, for tafasitamab in combination with lenalidomide to the U.S. FDA. We cannot be certain that it will be accepted for filing or receive regulatory approval. We have not submitted a similar regulatory approval filing to comparable foreign authorities, for any product candidate, and we cannot be certain that any of our product candidates will be successful in clinical trials or receive regulatory approval. Further, our product candidates may not receive regulatory approval even if we are successful in conducting clinical trials and assembling required CMC (chemistry, manufacturing and controls) information. If we do not receive regulatory approvals for our product candidates, we may not be able to continue our operations. Even if we successfully obtain regulatory approvals to market one or more of our product candidates, our revenues will be dependent, in part, upon the pricing potential, our ability to supply sufficient amounts of product candidates, the uptake of our product candidates and the size of the markets in the territories for which we gain regulatory approval and have commercial rights. If the market potential that we are targeting are not as significant as we estimate, we may not generate significant revenues from sales of such products, if approved.

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

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

We are currently conducting clinical trials for tafasitamab and MOR202. Each of our clinical trials requires the investment of substantial expense and time and the timing of the commencement, continuation and completion of these clinical trials may be subject to significant delays or termination relating to various causes, including, among other things:

- scheduling conflicts with participating clinicians and clinical institutions;

- difficulties in identifying and enrolling patients who meet trial eligibility criteria;
- failure of patients to complete the clinical trials or return for post-treatment follow-up;
- delays in accumulating the required number of clinical events for data analyses;
- clinical investigators or sites deviating from trial protocol or failing to comply with regulatory requirements or meet their contractual obligations;
- delay or failure to obtain required approvals;
- delays in or failure to reach agreement on acceptable terms with prospective contract research organizations, or CROs, and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- delays in or failure to obtain institutional review board, or IRB, approval at each site;
- failure of third-party contractors used in our clinical trials or contract manufacturing organizations, or CMOs, to comply with regulatory requirements or meet their contractual obligations in a timely manner, or not at all;
- changes in regulatory requirements;
- the development and approval of competitive products;
- results from clinical trials of competing compounds, which may give rise to concerns about the target, the envisioned mode of action, the compound class or the commercial potential of the product candidate we are evaluating;
- higher-than-expected costs of clinical trials of our product candidates; and
- insufficient, inadequate or prohibitively expensive supply or quality of our product candidates or other materials necessary to conduct clinical trials of our product candidate.

We do not know whether any of our clinical trials will begin as planned, will need to be redesigned or amended or will be completed on schedule, or at all. Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. We could encounter delays if a clinical trial is suspended or terminated by us, by the IRBs of the institutions in which such trials are being conducted, by a data review committee or data safety monitoring board for such trial or by the FDA or other regulatory authorities. Such authorities may impose such a suspension or termination due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA or other regulatory authorities resulting in the imposition of a clinical hold, safety issues or adverse side effects, failure to demonstrate a benefit from using a drug, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial. If we experience delays in the completion of, or termination of, any clinical trial of our product candidates, the commercial prospects of our product candidates will be harmed, and our ability to generate product revenues from any of these product candidates will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process and jeopardize our ability to commence product sales and generate revenues. Significant clinical trial delays could also allow our competitors to bring products to market before we do or shorten any periods during which we have the exclusive right to commercialize our product candidates and impair our ability to commercialize our product candidates, and may harm our business and results of operations. In addition, some of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates.

Clinical trials must be conducted with supplies of our product candidates produced under current good manufacturing practice, or cGMP, and supplied accordingly under good distribution practice, or GDP, requirements and other regulations. Furthermore, we rely on CROs and clinical trial sites to ensure the proper

and timely conduct of our clinical trials and while we have agreements governing their committed activities, we have limited influence over their actual performance. We depend on our collaborators and on clinical trial sites and CROs to conduct and monitor our clinical trials in compliance with good clinical practice, or GCP, requirements. To the extent our collaborators or the CROs fail to enroll participants for our clinical trials, fail to conduct and monitor the study to GCP standards or are delayed for a significant time or fail in the execution of trials, including achieving full enrollment, we may be affected by increased costs, program delays or both, which may harm our business.

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

- be delayed in obtaining marketing approval for our product candidates;
- not obtain marketing approval at all;
- obtain approval for indications or patient populations that are not as broad as intended or desired;
- obtain approval with product labeling that includes significant use or distribution restrictions or significant safety warnings, including boxed warnings;
- be subject to additional post-marketing testing or other requirements; or
- remove the product from the market after obtaining marketing approval.

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

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

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

These estimates may be inaccurate or based on imprecise data. For example, the total addressable market opportunity will depend on, among other things, the acceptance of such data by the medical community and patient access, product pricing and reimbursement, any limitations on populations and indications in approved product labeling, as well as the approval of new or competing medicines. The number of patients in the addressable markets may turn out to be lower than expected, patients may not be otherwise amenable to treatment with our products, or new patients may become increasingly difficult to identify or gain access to, all of which could materially adversely affect our business, financial condition, results of operations and prospects.

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

Patient enrollment, a significant factor in the timing and successful completion of clinical trials, is affected by many factors, including the size and nature of the patient population, the proximity of patients to clinical sites,

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

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

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

Additionally, several of our clinical trials along with those we may conduct in the future utilize an "open-label" trial design. An "open-label" clinical trial is one where both the patient and investigator know whether the patient is receiving the investigational product candidate or either an existing approved drug or placebo. Most typically, open-label clinical trials test only the investigational product candidate and sometimes may do so at different dose levels. Open-label clinical trials are subject to various limitations that may exaggerate any therapeutic effect as patients in open-label clinical trials receiving treatment. Open-label clinical trials may be subject to a "patient bias" where patients perceive their symptoms to have improved merely due to their awareness of receiving an experimental treatment. In addition, open-label clinical trials may be subject to an "investigator bias" where those assessing and reviewing the physiological outcomes of the clinical trials are aware of which patients have received treatment and may interpret the information of the treated group more favorably given this knowledge. The results from an open-label trial may not be predictive of future clinical trial results with any of our product candidates for which we include an open-label clinical trial when studied in a controlled environment with a placebo or active control.

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

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

or the type and amount of clinical data or other information necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. We have not obtained regulatory approval for any product candidate, and it is possible that none of our existing product candidates or any product candidates we may seek to develop in the future will ever obtain regulatory approval.

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

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

In particular, with respect to the development and potential approval of tafasitamab, we have recently submitted a regulatory filing to the FDA based on the open-label single-arm L-MIND trial. There may be a risk that the regulatory authorities do not grant approval based on single-arm data for tafasitamab plus lenalidomide, due to the fact that there is no comparator arm in the study. There might be an additional risk that the regulatory authorities do not accept our strategies to present alternative data, for example by providing data of our Re-MIND trial as a matched control cohort.

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

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

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

The FDA may rescind the breakthrough designation for tafasitamab in combination with lenalidomide for the treatment of adult patients with relapsed or refractory DLBCL who are not eligible for high-dose chemotherapy and autologous stem cell transplantation, and we may be unable to obtain breakthrough therapy designation for other indications or other product candidates. In addition, breakthrough therapy designation by the FDA may not lead to a faster development, regulatory review or approval process, and it may not increase the likelihood that tafasitamab will receive marketing approval in the United States.

Under the Food and Drug Administration Safety and Innovation Act, or FDASIA, the FDA is authorized to give certain products “breakthrough therapy designation”. A breakthrough therapy product candidate is defined as a product candidate that is intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition and preliminary clinical evidence indicates that such product candidate may demonstrate substantial improvement on one or more clinically significant endpoints over existing therapies. The FDA will seek to ensure the sponsor of a breakthrough therapy product candidate receives intensive guidance on an efficient drug development program, interactions with the agency’s senior managers and experienced staff on a proactive, collaborative and cross-disciplinary review and a rolling review process whereby the FDA may consider reviewing portions of a marketing application before the sponsor submits the complete application. Product candidates designated as breakthrough therapies by the FDA may be eligible for other expedited programs, such as priority review, if approval would provide a significant improvement in safety or effectiveness.

The receipt of breakthrough therapy designation, or BTD, for a product candidate, or acceptance for one or more of the FDA’s other expedited programs, may not result in a faster development process, review or approval compared to products considered for approval under conventional FDA procedures and does not guarantee ultimate approval by the FDA. For example, we are evaluating tafasitamab in combination with lenalidomide for the treatment of adult patients with relapsed or refractory, or r/r DLBCL; however, lenalidomide (being marketed by Celgene Corporation, now part of Bristol-Myers Squibb) is currently not approved for the treatment of adult patients with r/r DLBCL. There are a number of reasons why the FDA may not grant approval of a registration package for a product candidate. Among these reasons, a pivotal study of the combination of two unapproved product candidates in a particular indication may not alone be acceptable to support approval. Additionally, the FDA may later decide that the product candidate no longer meets the conditions for designation and may

withdraw designation at any time or decide that the time period for FDA review or approval will not be shortened.

Fast track designation for one or more of our product candidates may not actually lead to a faster development or regulatory review or approval process.

In 2014, we received fast track designation for tafasitamab for the treatment of r/r DLBCL. If a product candidate is intended for the treatment of a serious condition, and preclinical or clinical data demonstrates the potential to address an unmet medical need for this condition, a product sponsor may apply for FDA fast track designation. Even though we have received fast track designation for tafasitamab for the treatment of r/r DLBCL, fast track designation does not ensure that we will receive marketing approval or that approval will be granted within any particular timeframe. We may not experience a faster development or regulatory review or approval process with fast track designation compared to conventional FDA procedures. In addition, the FDA may withdraw fast track designation if they believe that the designation is no longer supported by data from our clinical development program. Fast track designation alone does not guarantee qualification for the FDA's priority review procedures.

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

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

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

- regulatory authorities may withdraw or limit their approval of such product candidates and require us to take our approved product(s) off the market;
- regulatory authorities may require the addition of labeling statements, such as a "boxed" warning or a contra-indication, or field alerts to physicians and pharmacies;
- we may be required to create a medication guide outlining the risks of such side effects for distribution to patients;
- we may be required to change the way such product candidates are distributed or administered, conduct additional clinical trials or change the labeling of the product candidates;
- regulatory authorities may require a Risk Evaluation and Mitigation Strategy, or REMS, plan to mitigate risks, which could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools;
- we may be subject to regulatory investigations and government enforcement actions;
- we may decide or be required to remove such product candidates from the marketplace;
- we could be sued and potentially held liable for injury caused to individuals exposed to or taking our product candidates;

- sales of the product(s) may decrease substantially; and
- our reputation may suffer.

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

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

We and our collaboration partners have conducted, are currently conducting and intend in the future to conduct, clinical trials outside the United States, particularly in the European Union where we are headquartered.

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

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

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

The design or our execution of clinical trials may not support regulatory approval.

The design or execution of a clinical trial can determine whether its results will support regulatory approval and flaws in the design or execution of a clinical trial may not become apparent until the clinical trial is well advanced. In some instances, there can be significant variability in safety or efficacy results between different trials of the same product candidate due to numerous factors, including changes in trial protocols, differences in size and type of the patient populations, adherence to the dosing regimen and other trial protocols and the rate of dropout among clinical trial participants. We do not know whether any phase 2, phase 3 or other clinical trials we

or any of our strategic partners may conduct will demonstrate consistent or adequate efficacy and safety to obtain regulatory approval to market our product candidates or whether the regulatory authorities will agree that the design of our or our partners' studies is adequate to support approval.

Further, the FDA, the EMA or other regulatory authorities have substantial discretion in the approval process and in determining when or whether regulatory approval will be obtained for any of our product candidates. Our product candidates may not be approved even if they achieve their primary endpoints in future phase 3 clinical trials or registration trials. The FDA, the EMA or other regulatory authorities may disagree with our trial design and our interpretation of data from preclinical studies and clinical trials. In addition, any of these regulatory authorities may change requirements for the approval of a product candidate even after reviewing and providing comments or advice on a protocol for a pivotal phase 3 clinical trial that has the potential to result in FDA, EMA or other agencies' approval. In addition, any of these regulatory authorities may also approve a product candidate for fewer or more limited indications than we request or may grant approval contingent on the performance of costly post-marketing clinical trials. The FDA, the EMA or other regulatory authorities may not approve the labeling claims that we believe would be necessary or desirable for the successful commercialization of our product candidates.

Even if we receive regulatory approval for any of our product candidates, we will be subject to ongoing obligations and continued regulatory review, which may materially adversely affect our business, prospects, financial condition and results of operations.

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

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

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

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

- restrictions on the marketing or manufacturing of the product, withdrawal of the product from the market, or voluntary or mandatory product recalls;
- fines, warning letters or holds on clinical trials;

- refusal by the FDA, the EMA or comparable foreign regulatory authority to approve pending applications or supplements to approved applications filed by us, or suspension or revocation of product license approvals;
- requirements to conduct additional clinical trials, change our product labeling or submit additional applications or application supplements;
- product seizure or detention, or refusal to permit the import or export of products; and
- injunctions or the imposition of civil or criminal penalties.

The occurrence of any of these events, or any government investigation of alleged violations of law could require us to expend significant time and resources, could generate negative publicity, and may impair our ability to sell such product. If we or our collaborators are not able to maintain regulatory compliance, regulatory approval that has been obtained may be lost and we may not achieve or sustain profitability, which may materially adversely affect our business, prospects, financial condition and results of operations.

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

Because we have limited financial and managerial resources, we must limit our licensing, research and development programs to specific product candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other product candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial product candidates or profitable market opportunities, and our decisions concerning the allocation of research, collaboration, management and financial resources towards particular product candidates may not lead to the development of viable commercial products. In addition, if we do not accurately evaluate the commercial potential or target market for a particular product candidate, we may relinquish valuable rights to that product candidate through collaboration, licensing or other royalty arrangements when it would have been more advantageous for us to retain sole development and commercialization rights to such product candidate. If we make incorrect determinations regarding the market potential of our product candidates or misread trends in the biopharmaceutical industry, in particular for our late-stage product candidates, our business, prospects, financial condition and results of operations could be materially adversely affected.

We currently do not have an appropriate sales and marketing organization yet and we have no history of commercializing our proprietary products.

The development of our proprietary product candidates has been limited to developing and applying our technology to source such products and undertaking preclinical studies and clinical trials thereof, either independently or with strategic partners. We have not yet demonstrated the ability to successfully complete the development of our proprietary product candidates, obtain marketing approvals, manufacture them at a commercial scale with our CMOs, or achieve market access and regulatory activities necessary for successful product commercialization of our proprietary product candidates. Any predictions about our future success or viability may not be as accurate as they could be if we had a history of successfully developing and commercializing our proprietary pharmaceutical products.

Factors that may affect our ability to commercialize our product candidates on our own include recruiting and retaining adequate numbers of effective sales and marketing personnel, setting up all relevant processes for commercialization, identifying and contracting on favorable terms with a contract sales and marketing organization, obtaining access to adequate numbers of physicians, achieving planned numbers of prescriptions of our product candidates for any approved uses we obtain in regulatory approvals and other unforeseen costs associated with creating, training and developing either an independent or contract sales and marketing organization.

We do not currently have an appropriate organization for commercialization, and developing or acquiring a sales and marketing organization or contracting with a sales and marketing organization on favourable terms will be expensive and time-consuming and could delay the launch of our product candidates. We may not be able to recruit, build, or contract with an effective sales and marketing organization. If we are unable to build our own distribution and marketing capabilities or to find suitable partners for the commercialization of our product candidates, we may not be able to generate revenues from them or to reach or sustain profitability.

If any of our product candidates receive regulatory approval, the approved products may not achieve broad market acceptance among physicians, patients, the medical community and third-party payors, in which case revenue generated from their sales would be limited.

The commercial success of our product candidates will depend upon their acceptance among e.g. third-party payors physicians, patients and the medical community. The degree of market acceptance of our product candidates will depend on a number of factors, including:

- limitations, restrictions, or warnings contained in the approved labeling for a product candidate;
- changes in the standard of care for the targeted indications for any of our product candidates, including issuance of or changes in medical society or treatment guidelines;
- limitations in the approved clinical indications for our product candidates;
- demonstrated clinical safety and efficacy compared to other products;
- lack of significant adverse side effects;
- medical affairs, market access, sales, marketing and distribution support;
- availability of coverage and extent of pricing and reimbursement from other third-party payors;
- timing of market introduction and perceived competitiveness versus competing products or regimens;
- availability of alternative therapies at similar or lower cost, including generics/biosimilars and over-the-counter products;
- whether and how the product is recommended in treatment guidelines;
- whether the product can be used effectively with other therapies;
- adverse publicity about our product candidates or favorable publicity about competitive products;
- convenience and ease of administration of our products; and
- potential product liability claims.

If any of our product candidates are approved but do not achieve an adequate level of acceptance by physicians, patients and the medical community, we may not generate sufficient revenue from these products, and we may not become or remain profitable. In addition, efforts to educate the medical community and third-party payors on the benefits of our product candidates may require significant resources and may never be successful.

Risks Related to Our Reliance on Collaborators and Other Third-Parties

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

We have in the past entered into, and intend to continue to enter into, collaborations with other companies that we believe provide us with valuable funding and other benefits. However, we cannot ensure that any such collaboration will continue or be successful. For example, in March 2015, we and Celgene Corporation (now part

of Bristol-Myers Squibb) agreed to end the existing co-development and co-promotion agreement for MOR202, following which we regained the rights to MOR202. We have subsequently partnered Chinese regional rights to MOR202, and our partner I-Mab will further develop MOR202 in multiple myeloma, or MM, for Greater China. We cannot ensure that such collaboration will be successful. Our inability to find a partner for any of our product candidates may result in our termination of that specific product candidate program or evaluation of a product candidate in a particular indication. We are currently investigating the development of MOR202 outside of China in an autoimmune indication. In addition, we have entered into various other collaboration and license arrangements with third-parties. In July 2018, together with Galapagos who co-owned MOR106 with us, we signed a license agreement with Novartis, who will be responsible for the development and commercialization of the compound in the future. On October 28, 2019, we announced the end of the clinical development program of MOR106 in atopic dermatitis. The joint decision of all three involved parties, Galapagos, MorphoSys and Novartis, was based on an interim analysis for futility that was performed in the phase 2 IGUANA trial. All studies in atopic dermatitis will be ended. The parties will explore the future strategy with MOR106. In November 2018, we entered into a collaboration and licensing agreement with I-Mab for an additional proprietary program, MOR210. Our partner I-Mab will perform certain preclinical and clinical development activities, and we will share territorial rights (Greater China and South Korea for I-Mab, rest of world for MorphoSys). In January 2020, we entered into a collaboration and license agreement with Incyte Corporation, or Incyte, to further develop and commercialize our proprietary antibody tafasitamab globally. This agreement received clearance by the U.S. antitrust authorities under the Hart-Scott-Rodino Act as well as by the German and Austrian antitrust authorities on or before March 2, 2020, and became effective on March 3, 2020. Under the terms of the agreement, we and Incyte will co-commercialize tafasitamab in the U.S., while Incyte has exclusive commercialization rights outside of the U.S. In addition, we and Incyte have agreed to co-develop tafasitamab broadly in relapsed/refractory diffuse large B cell lymphoma (r/r DLBCL), frontline DLBCL, as well as additional indications beyond DLBCL, such as follicular lymphoma (FL), marginal zone lymphoma (MZL) and chronic lymphocytic leukemia (CLL). We cannot ensure that any such collaboration or license agreement or further clinical development or the commercialization will be successful.

In the future, we may enter into additional collaborations to fund our development programs or to gain access to sales, marketing or distribution capabilities. Under most of our previous collaboration agreements, we grant our partners an exclusive license to certain therapeutic antibodies for specific targets and receive license fees, research and development funding, milestone payments and/or, if a product is approved for marketing, sales royalties in return. Following the discovery and preclinical testing phase, these partners are typically solely responsible for the further development of the product candidate and therefore exercise full control over its further development and potential commercialization. Our existing collaborations, and any future collaborations we enter into, therefore may pose a number of risks, including the following:

- collaborators may have significant discretion in determining the efforts and resources that they will apply to these collaborations;
- collaborators may not perform their obligations as expected by us or by health authorities, such as the FDA, the EMA or comparable foreign regulatory authorities;
- collaborators may dissolve, merge, be bought, or may otherwise become unwilling to fulfill the initial terms of the collaboration with us;
- collaborators may not pursue development and commercialization of any product candidates that achieve regulatory approval or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in the collaborators' strategic focus or available funding, or external factors, such as an acquisition, that divert resources or create competing priorities or the actual or perceived competitive situation in a specific indication;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or may require a new formulation of a product candidate for clinical testing;

- collaborators may not put sufficient resources or may delay or underperform in their activities to seek regulatory approval, pricing approval and perform commercial and medical affairs activities to market and sell the product;
- collaborators may not be compliant with applicable laws and regulations;
- collaborators could independently develop, or develop with third-parties, products that compete directly or indirectly with our products or product candidates if the collaborators believe that competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than ours;
- product candidates discovered in collaboration with us may be viewed by our collaborators as competitive with their own product candidates or products, which may cause collaborators to cease to devote resources to the commercialization of our product candidates;
- a collaborator with marketing and distribution rights to one or more of our product candidates that achieve regulatory approval may not commit sufficient resources to the marketing and distribution of such product or products;
- disagreements with collaborators or licensors, including disagreements over proprietary rights, contract interpretation and breach of contract claims, payment obligations or the preferred course of development, might cause delays or termination of the research, development or commercialization of products or product candidates, might lead to additional responsibilities, including financial obligations for us with respect to products or product candidates, or delays or withholding of any payments due or might result in litigation or arbitration, any of which would be time-consuming and expensive;
- collaborators may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential litigation;
- collaborators may infringe the intellectual property rights of third-parties, which may expose us to litigation and potential liability; and
- collaborations may be terminated for the convenience of the collaborator and, if terminated, we could be required to raise additional capital to pursue further development or commercialization of the applicable product candidates.

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

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

We face significant competition in seeking new partnerships.

For all our proprietary product candidates, we face significant competition. This may negatively impact our ability to enter into potential partnerships or licensing agreements for our compounds. For example, we decided

not to pursue MOR202 development in MM outside the collaboration with I-Mab in Greater China without another partner for the rest of the world. Instead, we are currently pursuing the further development of MOR202 outside of China in an autoimmune indication. Our ability to reach definitive agreements for partnerships will depend, among other things, upon our assessment of the partner's resources and expertise, the terms and conditions of the proposed partnership and the proposed partner's evaluation of a number of factors. These factors may include the design or results of clinical trials, the likelihood of approval by the FDA, the EMA or comparable foreign regulatory authorities, the potential market for the subject product candidate, market access and pricing considerations in the respective territory, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing products, incidence and prevalence of the respective disease, and industry and market conditions generally. The partner may also consider alternative product candidates for similar indications that may be available to collaborate on and whether such collaboration could be more attractive than the one with us for our product candidate.

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

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

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

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

Although we perform sponsor oversight and audits using risk-based approaches, we do not have the ability to control every action of third-parties in their conduct of development activities. Nevertheless, we are responsible for ensuring that each of our development activities is conducted in accordance with the applicable study plan/protocol, GxP, legal, regulatory, intellectual property and scientific standards, and our reliance on these third-parties does not relieve us of our sponsor responsibilities. We and our third-parties are required to comply with GxP standards, which are regulations and guidelines enforced by the FDA, the competent authorities of the

member states of the European Economic Area, or EEA, and comparable foreign regulatory authorities for all of our products in clinical development. Regulatory authorities enforce these GxPs through periodic inspections of trial sponsors, principal investigators and trial sites, CROs and/or other involved service providers. If we or any of our third-parties fail to comply with applicable GxP standards, the study data generated in our preclinical studies and/or clinical trials may be deemed unreliable and the FDA, the EMA or comparable foreign regulatory authorities may require us to perform additional studies before potentially approving our marketing applications. We cannot ensure that upon inspection by a given regulatory authority, such regulatory authority will determine that all of our development activities comply with GxP regulations. If third-parties do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the data they obtain is compromised due to the failure to adhere to our study plans/protocols, GxP and other regulatory requirements or for other reasons, our preclinical studies or clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates.

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

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

We do not currently have, nor do we plan to acquire, the infrastructure or capability internally to manufacture our preclinical (with the exclusion of non-GLP testing) and clinical product supplies, and we lack the resources and the capability to manufacture any of our product candidates on a clinical or commercial scale under GMP. We therefore rely on and expect to continue to rely on third-party contract manufacturing organizations, or CMOs, for the supply of cGMP-grade, clinical trial materials and commercial quantities of our product candidates and products, if approved. The facilities used by our CMOs or other third-party manufacturers to manufacture our product candidates are subject to the FDA's, the EMA's and other comparable regulatory authorities' preapproval inspections that will be conducted after we submit our BLA to the FDA or the required approval documents to any other relevant regulatory authority. Although we perform oversight of the manufacturing and testing activities by involvement in e.g. the Change Control and Deviation management of the CMO and qualification audits prior to contracting a CMO and subsequent regular audits of such facilities and GMP procedures, we are completely dependent on our contract manufacturers or other third-party manufacturers for compliance with the regulatory requirements, known as current good manufacturing practices, or cGMPs, for manufacture of both active drug substances and finished drug products. If our contract manufacturers or other third-party manufacturers cannot successfully manufacture sufficient amounts of material that conforms to applicable specifications and the strict regulatory requirements of the FDA, the EMA or another comparable regulatory authority, we may not be able to secure and/or maintain regulatory approvals for our products manufactured at these facilities. In addition (except for our oversight obligations described above), we have no control over the ability of our contract manufacturers or other third-party manufacturers to maintain adequate quality control and quality assurance procedures and qualified personnel. If the FDA, the EMA or another comparable regulatory authority finds deficiencies at these facilities for the manufacture of our product candidates or products for commercial sale, or if it withdraws any approval because of deficiencies at these

facilities in the future, we may need to find alternative manufacturing facilities, which would significantly impact our ability to develop, obtain regulatory approval for or market our product candidates, if approved. If, for any reason, we were to experience an unexpected loss of supply of our product candidates, combination drug, or placebo or comparator product used in certain of our clinical trials, whether as a result of manufacturing, supply or storage issues or otherwise, we could experience delays, disruptions, suspensions or terminations of, or be required to restart or repeat, any pending or ongoing clinical trials. If market demand increases, our current planning assumptions the CMO might not be willing or able to supply this additional material, leading to supply shortage on the market.

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

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

The manufacture of biopharmaceutical products is complex and requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. The process of manufacturing biopharmaceuticals, including our product candidates, is susceptible to product loss due to contamination, equipment failure or improper installation or operation of equipment, vendor or operator error, contamination and inconsistency in yields, variability in product characteristics and difficulties in scaling the production process or product loss during fill and finishing. Even minor deviations from normal manufacturing processes could result in reduced production yields, product defects and other supply disruptions. If microbial, viral or other contaminations are discovered in our product candidates or in the manufacturing facilities in which our product candidates are made, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. Any adverse developments affecting manufacturing operations for our product candidates, if any are approved, may result in shipment delays, inventory shortages, lot failures, product withdrawals or recalls, or other interruptions in the supply of our products. We may also have to take inventory write-offs and incur other charges and expenses for products that fail to meet specifications, undertake costly remediation efforts or seek more costly manufacturing alternatives.

Risks Related To Our Intellectual Property Rights

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

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

Competitors may use our technologies in jurisdictions where we have not obtained or are unable to adequately enforce patent protection to develop their own products and further, may export otherwise infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States and Europe. These products may compete with our products, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing. Proceedings to enforce our patent rights, whether or not successful, could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing, and could provoke third-parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

The patent prosecution process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we may fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. In addition, we or our licensors may only pursue, obtain or maintain patent protection in a limited number of countries. There is no assurance that all potentially relevant prior art relating to our patents and patent applications has been found. We may be unaware of prior art or other documents or experiments that could be used to invalidate an issued patent or prevent our pending patent applications from issuing as patents. Even if patents do successfully issue and even if such patents cover our products or product candidates, third-parties (including our licensees) may challenge their validity, enforceability or scope, which may result in such patents being narrowed or invalidated. Further, the existence of issued patents does not guarantee our right to practice the patented technology or commercialize the patented product. Third-parties may have or obtain rights to patents which they may use to prevent or attempt to prevent us from commercializing any of our patented product candidates, or which might require us to take license to such patents in order to be able to commercialize the respective product candidates. If these other parties are successful in obtaining valid and enforceable patents, and

establishing our infringement of those patents, we could be prevented from selling our products unless we were able to obtain a license under such third-party patents. In addition, third-parties may seek approval to market their own products similar to or otherwise competitive with our products. In these circumstances, we may need to defend and/or assert our patents, including by filing lawsuits alleging patent infringement. In any of these types of proceedings, a court or agency of competent jurisdiction may find our patents invalid and/or unenforceable.

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

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

Obtaining and maintaining our patent protection, including patents licensed from third-parties, depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The USPTO and foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process. There are situations in which non-compliance can result in abandonment or lapse of a patent or patent application, resulting in partial loss, complete loss or unenforceability of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case.

If we or our licensors fail to maintain the patents and patent applications covering or otherwise protecting our product candidates, it could materially harm our business. In addition, to the extent that we have responsibility

for taking any action related to the prosecution or maintenance of patents or patent applications in-licensed from a third-party, any failure on our part to maintain the in-licensed intellectual property could jeopardize our rights under the relevant license and may expose us to liability.

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

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

Even if the patent applications we own or license are issued, competitors may infringe these patents. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time-consuming. For instance, we were involved in a patent litigation lawsuit as a plaintiff against Janssen Biotech Inc., Genmab A/S and Genmab US, Inc. at the District Court of Delaware seeking redress for alleged infringement in connection with the manufacture, use and sale of Janssen's and Genmab's daratumumab, an antibody targeting CD38, approved for the treatment of certain patients with MM. Defendants asserted that our patents are invalid and also raised a counterclaim of inequitable conduct. The U.S. District Court of Delaware, based on a hearing held November 27, 2018, has ruled in a Court Order on January 25, 2019, that the asserted claims of the MorphoSys patents are invalid. The Court thus granted a motion for Summary Judgement of invalidity filed by Janssen Biotech and Genmab A/S against the three patents held by MorphoSys. As a result of this decision, the jury trial scheduled to start February 11, 2019 to consider Janssen's and Genmab's alleged infringement and the validity of the MorphoSys patents did not take place. On January 31, 2019 we announced that we settled the dispute with Janssen Biotech and Genmab A/S. The parties agreed to drop the mutual claims related to the litigation: MorphoSys dismissed claims for alleged patent infringement against Janssen Biotech and Genmab A/S and will not appeal from the court order dated January 25, 2019. Janssen and Genmab dismissed their counterclaims against MorphoSys. In addition, Janssen, Genmab, Sanofi and Takeda opposed a European counterpart of the litigated U.S. patents, EP2511297. The patent was revoked in opposition proceedings. We appealed and the proceedings are currently pending.

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

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

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during

this type of litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our common shares.

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

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

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

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

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

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

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

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

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

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

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

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

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

The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform or predictable. If we are sued for patent infringement, we would need to demonstrate that our products, methods or uses thereof either do not infringe the patent claims of the relevant patent or that the patent claims are invalid or unenforceable, and we may not be able to do this. Proving invalidity is difficult. For example, in the United States, proving invalidity requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. Even if we are successful in these proceedings, we may incur substantial costs and divert management's time and attention in pursuing these proceedings, which could have a material adverse effect on our business. If we are unable to avoid infringing the patent rights of others, we may be required to seek a license, defend an infringement action or challenge the validity or enforceability of the patents in court. We

may not have sufficient resources to bring these actions to a successful conclusion and there is no assurance that such a license would be available or that a court would find in our favor. In addition, if we do not obtain a license, do not develop or obtain non-infringing technology, or fail to defend an infringement action successfully or have infringed patents declared invalid or unenforceable, we may incur substantial monetary damages, encounter significant delays in bringing our product candidates to market and be precluded from manufacturing or selling our product candidates.

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

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

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

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

Our registered or unregistered trademarks or trade names, as well as the registered or unregistered trademarks or trade names used by our licensees or distributors in relation with our products or product candidates, may be challenged, infringed, circumvented or declared generic or determined to be infringing on other trademarks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition by potential partners or customers. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be materially adversely affected.

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

In addition to patent protection, we also rely on other proprietary rights, including protection of trade secrets, and other proprietary information. To maintain the confidentiality of trade secrets and proprietary information, we

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

Adequate remedies may not exist in the event of unauthorized use or disclosure of our proprietary information. The disclosure of our trade secrets would impair our competitive position and may materially harm our business, financial condition and results of operations. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to maintain trade secret protection could adversely affect our competitive business position. In addition, others may independently discover or develop our trade secrets and proprietary information, and the existence of our own trade secrets affords no protection against such independent discovery.

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

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

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

The in-licensing and acquisition of third-party intellectual property rights for product candidates is a competitive area, and a number of more established companies are also pursuing strategies to in-license or acquire third-party intellectual property rights for product candidates that we may consider attractive or necessary. These established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities. Furthermore, companies that perceive us to be a competitor

may be unwilling to assign or license rights to us. If we are unable to successfully obtain rights to suitable product candidates, our business, financial condition, results of operations and prospects for growth could suffer.

In addition, we expect that competition for the in-licensing or acquisition of third-party intellectual property rights for product candidates that are attractive to us may increase in the future, which may mean fewer suitable opportunities for us as well as higher acquisition or licensing costs. We may be unable to in-license or acquire third-party intellectual property rights for product candidates on terms that would allow us to make an appropriate return on our investment.

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

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

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

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

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

In addition, while it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact conceives or develops intellectual property that we regard as our own. Our assignment agreements may not be self-executing or may be breached, and we may be forced to bring claims against third-parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property.

Risks Related to our Business and Industry

Our relationships with healthcare professionals, institutional providers, principal investigators, consultants, customers (actual and potential), patients and third-party payors are, and will continue to be, subject, directly and indirectly, to healthcare fraud and abuse, false claims, marketing expenditure tracking and disclosure, government price reporting, and health information privacy and security laws. If we are unable to comply, or

have not fully complied, with such laws, we could face penalties, including, without limitation, civil, criminal, and administrative penalties, damages, fines, exclusion from government-funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations.

Our business operations and activities may be directly or indirectly subject to various fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute and the federal False Claims Act. If we obtain FDA approval for any of our proprietary product candidates and begin commercializing those products in the United States, our potential exposure under such laws will increase significantly, and our costs associated with compliance with such laws are also likely to increase. These laws may impact, among other things, our current activities with principal investigators and research subjects, as well as proposed and future sales, marketing and education programs. In addition, we may be subject to patient privacy regulation by the federal government and state governments in which we conduct our business. The laws that may affect our ability to operate include, but are not limited to:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made, in whole or in part, under a federal healthcare program such as Medicare and Medicaid. A person or entity need not have actual knowledge of the federal Anti-Kickback Statute or specific intent to violate it in order to have committed a violation; in addition, the government may assert that a claim that includes items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act;
- the federal civil and criminal false claims laws, including the civil False Claims Act, and civil monetary penalties laws, which prohibit individuals or entities from, among other things, knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false, fictitious or fraudulent; knowingly making a false statement or record material to a false or fraudulent claim or obligation to pay or transmit money or property to the federal government; or knowingly concealing or knowingly and improperly avoiding or decreasing an obligation to pay money to the federal government;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal criminal laws that prohibit, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of or payment for healthcare benefits, items or services; similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 and their respective implementing regulations, which impose requirements on certain covered healthcare providers, health plans, and healthcare clearinghouses as well as their respective business associates that perform services for them that involve the use, or disclosure of, individually identifiable health information, relating to the privacy, security and transmission of individually identifiable health information without appropriate authorization;
- the federal transparency requirements under the Patient Protection and Affordable Care Act, including the Physician Payments Sunshine Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively the ACA will require manufacturers of products, devices, biologics and medical supplies to report to the Department of Health and Human Services information related to payments and other transfers of value to physicians (currently defined to include doctors, dentists, optometrists, podiatrists chiropractors) and teaching hospitals and physician ownership and investment interests; effective January 1, 2022 these reporting obligations will extend to include transfers of value made to certain non-physician providers such as physician assistants and nurse practitioners;
- federal consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers;

- federal government price reporting laws, changed by the ACA to, among other things, increase the minimum Medicaid rebates owed by most manufacturers under the Medicaid Drug Rebate Program and offer such rebates to additional populations, that may require us to calculate and report complex pricing metrics to government programs, where such reported prices may be used in the calculation of reimbursement and/or discounts on our marketed products (participation in these programs and compliance with the applicable requirements may subject us to potentially significant discounts on our products, increased infrastructure costs, and potentially limit our ability to offer certain marketplace discounts);
- the Foreign Corrupt Practices Act, a U.S. law which prohibits companies and their intermediaries from making, or offering or promising to make improper payments to non-U.S. officials for the purpose of obtaining or retaining business or otherwise seeking favourable treatment (which could include, for example, certain medical professionals); and
- analogous state laws and regulations, such as state anti-kickback and false claims laws, which may apply to healthcare items or services that are reimbursed by non-governmental third-party payors, including private insurers.

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

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

In the European Union, the General Data Protection Regulation, or GDPR, effective since May 2018, imposes strict regulations and establishes a series of requirements regarding the collection, storage and all other processing of personal data. The GDPR has extra-territorial application and applies where a company, based outside the European Union, processes personal data of individuals based in the European Union as a result of offering goods or services to individuals based in the EU and/or monitoring their behavior. We may incur substantial expense in complying with the new obligations imposed by the GDPR and we may be required to make significant changes in our business operations and development, all of which may adversely affect our revenue and our business overall. We could be adversely affected if we fail to comply fully with all of these requirements. Non-compliance with the GDPR can trigger significant fines of up to €20 million or 4% of total worldwide annual turnover, whichever is higher. In addition, the use and disclosure of personal health and other private information are subject to regulation in other jurisdictions in which we do business or expect to do business in the future. Those jurisdictions may attempt to apply such laws extraterritorially or through treaties or other arrangements with European governmental entities. We cannot assure you that our privacy and security policies and practices will be found sufficient to protect us from liability or adverse publicity relating to the privacy and security of personal information.

Further, on June 23, 2016, the UK held a referendum in which a majority of the eligible members of the electorate voted to leave the EU. The UK's withdrawal from the EU is commonly referred to as Brexit. Pursuant to Article 50 of the Treaty on European Union, the UK ceased being a Member State of the EU on January 31, 2020. However, the terms of the withdrawal have yet to be fully negotiated. The implementation period began February 1, 2020 and will continue until December 31, 2020. During this 11-month period, the UK will continue to follow all of the EU's rules and its trading relationship will remain the same. However, regulations (including data protection laws, health and safety laws and regulations and medicine licensing and regulations), have yet to be addressed. This lack of clarity on future UK laws and regulations and their interaction with EU laws and regulations could add legal risk, uncertainty, complexity and cost to our handling of EU personal information and

our privacy and data security compliance programs. It is possible that over time the UK Data Protection Act could become less aligned with the EU General Data Protection Regulation, or GDPR, which could require us to implement different compliance measures for the UK and the European Union and result in potentially enhanced compliance obligations for EU personal data. This risk would apply more immediately in the event of a "no-deal" Brexit (including no transition period).

In light of Brexit, it is unclear whether the European Commission, or EC, will grant an adequacy finding to the UK (a finding that the UK privacy legal framework provides an adequate level of privacy protection to EU individuals). Absent an adequacy finding, transfers of personal data from the EU to the UK would be impermissible without adequate safeguards provided for under EC-approved mechanisms, such as current standard contractual clauses or, if approved in the future, an EU – UK privacy shield similar to the current framework in place between the EU and the U.S. The extensive authority of UK intelligence and law enforcement agencies, including to conduct surveillance on personal data flows, could reduce the likelihood that the EC would give the UK an adequacy finding, and reduce the likelihood that the EC would approve an EU – UK privacy shield. Accordingly, we could be exposed to legal risk for any of our EU-UK personal data transfers, including those that involve sensitive data such as patient and genetic data.

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

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

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

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

To cover such liability claims, we purchase clinical trial insurances in the conduct of each of our clinical trials. It is possible that our liabilities could exceed our insurance coverage or that our insurance will not cover all situations in which a claim against us could be made. We also intend to expand our insurance coverage to include the sale of commercial products if we receive marketing approval for any of our proprietary products. However, we may not be able to maintain insurance coverage at a reasonable cost or obtain insurance coverage that will be

adequate to satisfy any liability that may arise. If a successful product liability claim or series of claims is brought against us for uninsured liabilities or in excess of insured liabilities, our assets may not be sufficient to cover such claims and our business operations could be impaired. Should any of the events described above occur, this could have a material adverse effect on our business, prospects, financial condition and results of operations, including, but not limited to:

- decreased demand for our future product candidates;
- adverse publicity and injury to our reputation;
- withdrawal of clinical trial participants;
- initiation of investigations by regulators;
- costs to defend the related litigation;
- a diversion of management's time and our resources;
- compensation in response to a liability claim;
- product recalls, withdrawals or labeling, marketing or promotional restrictions;
- loss of revenue;
- exhaustion of any available insurance and our capital resources; and
- the inability to commercialize our products or product candidates.

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

Even if we, or any future collaborators, are able to commercialize any product candidate that we, or they, develop, the product may become subject to unfavorable pricing regulations or third-party payor coverage and reimbursement policies, any of which could materially harm our business.

Patients who are provided medical treatment for their conditions generally rely on third-party payors to reimburse all or part of the costs associated with their treatment. Therefore, our ability, and the ability of any future collaborators to commercialize any of our product candidates will depend, in part, on the extent to which coverage and reimbursement for these products and related treatments will be available from third-party payors including government health administration authorities and private health coverage insurers. Third-party payors decide which medications they will cover and establish reimbursement levels. We cannot be certain that coverage will be available and reimbursement will be adequate for any of our product candidates. Also, we cannot be certain that reimbursement policies will not reduce the demand for, or the price paid for, our products.

Obtaining coverage and adequate reimbursement for our products may be particularly difficult because of the higher prices often associated with drugs administered under the supervision of a physician. A decision by a third-party payor not to cover our products could reduce physician utilization of our products once approved. Even if coverage is provided, the approved reimbursement amount may not be high enough to allow us, or any future collaborators, to establish or maintain pricing sufficient to realize a sufficient return on our or their investment. In the United States, no uniform policy of coverage and reimbursement for products exists among third-party payors and coverage and reimbursement for products can differ significantly from payor to payor. As a result, the coverage determination process is often a time-consuming and costly process that will require us to provide scientific and clinical support for the use of our products to each payor separately, with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance.

In addition, increasingly, third-party payors are requiring higher levels of evidence of the benefits and clinical outcomes of new technologies and are challenging prices. We cannot be sure that coverage will be available for any product candidate that we, or any future collaborator, commercialize and, if available, that the reimbursement rates will be adequate. Further, the net reimbursement for products may be subject to additional reductions if there are changes to laws that presently restrict imports of drugs from one country to another. An inability to promptly obtain coverage and adequate payment rates from both government-funded and private payors for any of our product candidates for which we, or any future collaborator, obtain marketing approval could significantly harm our operating results, our ability to raise the capital needed to commercialize products and our overall financial condition.

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

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

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

In the United States and foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities and affect our ability to profitably sell any product candidates for which we obtain marketing approval. We expect that current laws, as well as other healthcare reform measures that may be adopted in the future, may result in additional reductions in Medicare and other healthcare funding, more rigorous coverage criteria, new payment methodologies and in additional downward pressure on the price that we, or any collaborators, may receive for any approved products.

In 2010, the Affordable Care Act (ACA) was signed into law in the United States. Among the provisions of the ACA of potential importance to our business and our product candidates are the following:

- an annual, non-deductible fee on any entity that manufactures or imports specified branded prescription products and biologic products;
- an increase in the statutory minimum rebates a manufacturer must pay under the Medicaid Drug Rebate Program;
- a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for products that are inhaled, infused, instilled, implanted or injected;
- extension of manufacturers' Medicaid rebate liability to individuals enrolled in Medicaid managed care organizations;

- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research; and
- established the Center for Medicare and Medicaid Innovation within Centers for Medicare & Medicaid Services, or CMS, to test innovative payment and service delivery models.

Since its enactment, there have been judicial and congressional challenges to numerous aspects of the ACA and some provisions of the ACA have been repealed. There likely will continue to be administrative, legal and legislative changes, including modification, repeal, or replacement of all, or certain provisions of, the ACA.

In addition, other legislative changes have been proposed and adopted since the ACA was enacted. In August 2011, the Budget Control Act of 2011, among other things, included aggregate reductions to Medicare payments to providers of 2% per fiscal year, which went into effect in April 2013 and will remain in effect through 2029 unless additional congressional action is taken. The American Taxpayer Relief Act of 2012, among other things, reduced Medicare payments to several providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These new laws may result in additional reductions in Medicare and other healthcare funding and otherwise affect the prices we may obtain for any of our product candidates for which we may obtain regulatory approval or the frequency with which any such product candidate is prescribed or used.

The costs of prescription pharmaceuticals in the United States has also been the subject of considerable discussion in the United States, and members of Congress and the Administration have stated that they will address such costs through new legislative and administrative measures. There have been several U.S. congressional inquiries and proposed bills designed to, among other things, bring more transparency to drug pricing, reduce the cost of prescription drugs under Medicare, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drugs. For example, on December 18, 2019, President Trump, the U.S. Department of Health and Human Services, and the FDA issued a notice of proposed rulemaking that, if finalized, would allow for the importation of certain prescription drugs from Canada. The FDA also issued a Draft Guidance document outlining a potential pathway for manufacturers to obtain an additional National Drug Code, or NDC, for an FDA-approved drug that was originally intended to be marketed in a foreign country and that was authorized for sale in that foreign country. The regulatory and market implications of the notice of proposed rulemaking and Draft Guidance are unknown at this time, but legislation, regulations or policies allowing the reimportation of drugs, if enacted and implemented, could decrease the price we receive for our products and adversely affect our future revenues and prospects for profitability.

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

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

We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad. For example, certain policies of the Trump administration may impact our business and industry. Namely, the Trump administration has taken several executive actions, including the issuance of a number of Executive Orders, that could impose significant burdens on, or otherwise materially delay, the FDA's ability to engage in routine regulatory and oversight activities such as implementing statutes through rulemaking, issuance of guidance, and review and approval of marketing applications. If these executive actions impose constraints on the FDA's ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted.

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

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

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

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

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

We may not be successful in our efforts to use and expand our lanthipeptide technology platform.

We are using our proprietary lanthipeptide technology platform to generate peptide product candidates that exhibit enhanced target-selectivity and stability. Our lanthipeptide technology platform has led to one

clinical-stage product candidate MOR107. Potential risk factors for further development of MOR107 or other product candidates we identify using our lanthipeptide technology platform are: 1) insufficient efficacy in combination with or when compared with standard of care, 2) appearance or market entry of molecules in the same indication that may be clinically superior and thereby limit the market potential for product candidates derived from our lanthipeptide technology platform, 3) delays in development that cause a limited remaining time in matter of composition patent protection and 4) inability to demonstrate an acceptable tolerability profile for our product candidates. We only have limited safety information, to date, regarding MOR107 from a single ascending dose clinical phase 1 trial. Neither safety at higher doses than tested, nor after longer treatment than tested, nor safety at multiple ascending doses have been established yet. We are at a very early-stage of development and the lanthipeptide technology platform has not yet, and may never lead to, approved or marketable peptide products, including with respect to MOR107. Even if we are successful in continuing to build our lanthipeptide pipeline, the potential product candidates that we identify may not be suitable for clinical development, including as a result of harmful side effects, unsuitable pharmacodynamics and / or unsuitable pharmacokinetics, futility or other characteristics that indicate that such products are unlikely to receive marketing approval and achieve market acceptance. If we are not able to successfully develop and commercialize peptide product candidates based upon our lanthipeptide platform technology, our business, prospects, financial conditions and results of operations may be materially adversely affected.

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

Our computer systems and those of our current and any future collaborators and other contractors or consultants are vulnerable to damage from cyber-attacks, computer viruses, natural disasters, terrorism, war and telecommunication and electrical failures. While we have not experienced any such computer system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations, whether due to a loss of our trade secrets or other proprietary information or other disruptions. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability, our competitive position could be harmed and the further development and commercialization of our product candidates could be delayed.

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

The ACA includes a subtitle called the Biologics Price Competition and Innovation Act of 2009, or BPCIA, which created an abbreviated approval pathway for biological products that are biosimilar to or interchangeable with an FDA-licensed reference biological product. Under the BPCIA, an application for a biosimilar product may not be submitted to the FDA until four years following the date that the referenced product was first licensed by the FDA. In addition, the approval of a biosimilar product may not be made effective by the FDA until 12 years from the date on which the reference product was first licensed. During this 12-year period of exclusivity, another company may still market a competing version of the reference product if the FDA approves a full BLA for the competing product containing the sponsor's own preclinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity and potency of their product. The law is complex and is still being interpreted and implemented by the FDA. As a result, its ultimate impact, implementation, and meaning are subject to uncertainty and evolving interpretation. While it is uncertain when such processes intended to implement BPCIA may be fully adopted by the FDA, any such processes could have a material adverse effect on the future commercial prospects for our biological products.

One or more of our product candidates approved as a biological product under a BLA may qualify for the 12-year period of exclusivity. However, there is a risk that this exclusivity could be shortened due to congressional action

or otherwise, or that the FDA will not consider our product candidates to be reference products for competing products, potentially creating the opportunity for generic competition sooner than anticipated. Other aspects of the BPCIA, some of which may impact the BPCIA exclusivity provisions, have also been the subject of recent litigation. Moreover, the extent to which a biosimilar, once approved, will be substituted for any one of our reference products in a way that is similar to traditional generic substitution for non-biological products is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing.

We face substantial competition from companies with considerably more resources and experience than we have, which may result in others discovering, developing, receiving approval for or commercializing products before or more successfully than us.

The pharmaceutical and biotechnology industries are characterized by intense competition and significant and rapid technological change as researchers learn more about diseases and develop new technologies and treatments. Any product candidates that we successfully develop and commercialize will compete with existing products and new products that may become available in the future. We have competitors in each of the disease fields in which we research and develop our product candidates, many of whom have substantially greater name recognition, commercial infrastructure and financial, technical and personnel resources than we have. Smaller or early-stage companies may also prove to be significant competitors, particularly through partnerships with larger and established companies. Significant competitive factors in our industry include product efficacy and safety, quality and breadth of an organization's technology, skill of an organization's employees and its ability to recruit and retain key employees, timing and scope of regulatory approvals, reimbursement for, and the average selling price of, products, the availability of raw materials and qualified manufacturing capacity, manufacturing costs, intellectual property and patent rights and their protection and commercialization capabilities. While we believe that our product candidate platform, antibody discovery and development expertise and scientific knowledge provide us with competitive advantages, we face potential competition from many different sources, including major pharmaceutical, specialty pharmaceutical and biotechnology companies, academic institutions and governmental agencies and public and private research institutions. Particularly in the case of tafasitamab, we compete with all companies that have products on the market or are developing product candidates for r/r DLBCL. With regard to our other proprietary or partnered product candidates, we are, alone or in partnerships, for example, developing products to combat diseases such as multiple myeloma, other cancers, psoriasis, Alzheimer's, where our competitors primarily are comprised of large pharmaceutical companies, including Roche, Celgene, Novartis, Janssen, Gilead, Abbvie and many others. This competition includes a number of alternative therapies to combat such diseases that are being researched and are in various stages of development and commercialization. Should these therapies prove effective, it could reduce the potential size of the market for our products. Given the intense competition in our industry, we cannot assure you that any of the products that we develop will be clinically superior or scientifically or commercially preferable to products developed or introduced by our competitors.

In addition, significant delays in the development of our product candidates could allow our competitors to succeed in obtaining the FDA, the EMA or other regulatory approvals for their product candidates more rapidly than us, which could place us at a significant competitive disadvantage or deny us marketing exclusivity rights.

Competitors may develop novel products or other technologies that could make our product candidates obsolete or uneconomical. Any of our product candidates that competes with an approved product may need to demonstrate compelling advantages, such as increased efficacy, convenience, pricing, tolerability and/or safety in order to be commercially successful. Any of our product candidates that are approved could also face other competitive factors in the future, including biosimilar competition, which could force us to lower prices or could result in reduced sales. If we fail to respond to this environment by improving our products, by licensing new third-party products or by developing new product candidates in a timely fashion, or if such new or improved products do not achieve adequate market acceptance, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Lastly, many of our competitors have significantly greater financial resources and expertise in R&D, including manufacturing, conducting preclinical studies and clinical trials, as well as in obtaining regulatory and reimbursement approvals and marketing and selling products. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of competitors, particularly through partnership arrangements with large established companies. These companies also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient recruitment for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

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

We are highly dependent on the expertise of the members of our research and development team, as well as the other principal members of our management, including Dr. Jean-Paul Kress, our Chief Executive Officer, Jens Holstein, our Chief Financial Officer and Dr. Malte Peters, our Chief Development Officer. Our Management Board members have fixed-term contracts typically of three years.

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

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

We may acquire additional businesses or products, form strategic alliances or create joint ventures with third-parties that we believe will complement or augment our existing business. We may encounter numerous difficulties in developing, manufacturing and marketing any new products resulting from a strategic alliance or acquisition that delays or prevents us from realizing their expected benefits or enhancing our business. If we acquire businesses with promising products or technologies, we may not be able to realize the benefit of acquiring such businesses if, for instance, we are unable to successfully integrate them with our existing operations and company culture. We cannot assure you that, following any such acquisition, we will achieve the expected synergies to justify the transaction. If we are unsuccessful in realizing any of the benefits following an acquisition, we may incur impairment charges in respect of the assets acquired, which could adversely affect our results of operations.

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

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

We are subject to currency exchange rate fluctuations.

Due to the international scope of our operations, our assets, earnings and cash flows are influenced by movements in exchange rates of several currencies, particularly the U.S. dollar and the euro. Our functional

currency is the euro and the majority of our operating expenses are paid in euros, but we also receive payments from our collaboration partners in U.S. dollars and we regularly acquire services, consumables and materials in U.S. dollars. Further, future revenue will be derived from abroad, particularly from the United States. As a result, our business may be affected by fluctuations in foreign exchange rates between the euro and the U.S. dollar, which may also have a significant impact on our reported results of operations and cash flows from period to period.

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

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

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

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

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

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

We are a "foreign private issuer," as defined in the SEC's rules and regulations. The Nasdaq Listing Rules include certain accommodations in the corporate governance requirements that allow foreign private issuers to follow "home country" corporate governance practices in lieu of the otherwise applicable corporate governance standards of Nasdaq. The application of such exceptions requires that we disclose the Nasdaq Listing Rules that we do not follow and describe the German corporate governance practices we do follow in lieu of the relevant Nasdaq corporate governance standard. We continue to follow German corporate governance practices in lieu of the corporate governance requirements of Nasdaq in certain respects. In particular, we follow German corporate

governance practices in connection with the distribution of annual and interim reports to shareholders, the application of our code of conduct to our Supervisory Board, proxy solicitation in connection with shareholders' meetings, and obtaining shareholder approval in connection with the issuance of shares in connection with an acquisition, change of control transactions, the establishment of or material amendment to any equity-based compensation plans and the issuance of shares in a private placement in excess of 20% of the outstanding share capital at less than the greater of book or market value. To this extent, our practice varies from the requirements of Nasdaq.

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

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

We do not believe we were a PFIC for the 2019 taxable year, and we do not expect to be treated as a PFIC in any future taxable year for the foreseeable future. However, because PFIC status is based on our income, assets and activities for the entire taxable year, which we expect may vary substantially over time, it is not possible to determine whether we will be characterized as a PFIC for any taxable year until after the close of the taxable year. Moreover, we must determine our PFIC status annually based on tests that are factual in nature, and our status in future years will depend on our income, assets and activities in each of those years. There can be no assurance that we will not be considered a PFIC for any taxable year.

If we were to be or become a PFIC for any taxable year during which a U.S. holder (defined below in "Taxation—U.S. Taxation") holds ADSs, certain adverse U.S. federal income tax consequences could apply to such U.S. holder. See "Taxation—U.S. Taxation—PFIC Rules."

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

The specific treatment of ADSs under German tax law is based on administrative provisions by the fiscal authorities, which are not codified law and are subject to change. Tax authorities may modify their interpretation and the current treatment of ADSs may change, as the circular issued by the German Federal Ministry of Finance (*BMF-Schreiben*), dated November 8, 2017, reference number IV C 1 – S 1980-1/16/10010:10, shows. According to this new circular, ADSs are not treated as capital participation (*Kapitalbeteiligung*) within the meaning of Section 2 Para. 8 of the Investment Tax Code (*Investmentsteuergesetz*). Such changes in the interpretation by the fiscal authorities may have adverse effects on the taxation of investors.

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

While we currently qualify as a foreign private issuer, the determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter.

We may lose our foreign private issuer status if (a) a majority of our outstanding voting securities are either directly or indirectly owned of record by residents of the United States and (b)(i) a majority of our executive officers or directors are U.S. citizens or residents, (ii) more than 50% of our assets are located in the United

States or (iii) our business is administered principally outside the United States. If we will not be a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more extensive than the forms available to a foreign private issuer. We would also be required to follow U.S. proxy disclosure requirements, including the requirement to disclose, under U.S. law, more detailed information about the compensation of our senior executive officers on an individual basis. We may also be required to modify certain of our policies to comply with accepted governance practices associated with U.S. domestic issuers. Such conversion and modifications will involve increased costs. In addition, we would lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers, as described in the previous risk factor above.

Our foreign private issuer status will be tested on June 30 of each year. We expect that we will maintain our status on June 30, 2020, but in the future, we may lose that status. This could occur if, for instance, a majority of our shareholders of record were U.S. citizens or residents and a majority of the executive officers or directors were U.S. citizens or residents or if a majority of our assets were located in the U.S.

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

We will continue to incur increased costs as a public company, particularly as we no longer qualify as an “emerging growth company”.

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

As we no longer qualify as an emerging growth company, we can no longer take advantage of reduced reporting requirements applicable to emerging growth companies. For example, we now must comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002. Complying with Section 404 may be costly and management’s attention may be diverted from other business concerns, which could adversely affect our business and results of operations.

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

We are incorporated under the laws of Germany. The majority of our assets are located outside the United States and all of the members of our Management Board and four out of seven Supervisory Board members reside outside of the United States. As a result, effecting service of process upon such persons may require compliance

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

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

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

We are a German stock corporation with our registered office in Germany. Our corporate affairs are governed by the laws governing stock corporations incorporated in Germany and our articles of association. The rights of shareholders and the responsibilities of members of our Management Board (*Vorstand*) and Supervisory Board (*Aufsichtsrat*) may be different from the rights and obligations of shareholders in companies governed by the laws of U.S. jurisdictions. In the performance of their duties, our Management Board and Supervisory Board may take into account a broad range of considerations, including our interests, the interests of our shareholders, employees, creditors and, to a limited extent, the general public. It is possible that some of these parties will have interests that are different from, or in addition to, your interests as a holder of ADSs. See Item 16G "Corporate Governance".

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

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

Item 4. Information on the Company.

A. History and Development of the Company

MorphoSys AG was founded in 1992 in Martinsried near Munich and is a stock corporation incorporated on March 3, 1998 under the laws of Germany with an indefinite duration. Our legal and commercial name is

MorphoSys AG. We are registered in the commercial register of the local court of Munich under number HRB 121023 on June 30, 1998. In 1999, MorphoSys was listed at the Frankfurt Stock Exchange, trading under the ticker symbol "MOR". In 2014, MorphoSys joined the TecDAX index, and in 2018, the company joined the MDAX index. In April 2018, following a U.S. initial public offering, American Depositary Shares of MorphoSys began trading on the Nasdaq, also under the symbol "MOR". In July 2018, we established a wholly owned subsidiary, MorphoSys US Inc., to build-up commercial infrastructure in the United States. MorphoSys US Inc. is the Company's agent in the United States and is located at 470 Atlantic Avenue, 14th Floor, Boston, Massachusetts 02210.

Our registered office is located at Semmelweisstrasse 7, 82152 Planegg, Germany, and our telephone number is +49 89-89927-0. Our website is *www.morphosys.com*. Information contained on our website is not incorporated by reference into this annual report, and you should not consider information contained on our website to be part of this annual report or in deciding whether to purchase or sell our ADSs.

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

Principal Capital Expenditures:

In the years ended December 31, 2019, 2018 and 2017, our expenditures for property, plant and equipment were € 3.1 million, € 1.8 million, and € 1.3 million, respectively. In the years ended December 31, 2019, 2018 and 2017, our expenditures for intangible assets were € 0.6 million, € 0.6 million, and € 11.8 million, respectively.

In October 2019, we acquired a 13.4% stake in Vivoryon Therapeutics AG, Halle (Saale), Germany, through the subscription of 2,673,796 ordinary bearer shares valued at € 15.0 million.

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

B. Business Overview

We are a clinical-stage biopharmaceutical company devoted to the discovery, development and commercialization of innovative and differentiated therapies for patients suffering from serious diseases. Based on our proprietary technology platforms and leadership in the field of therapeutic antibody discovery, generation and engineering, we, together with our partners, have developed more than 100 therapeutic product candidates. Our broad pipeline spans two business segments: Proprietary Development, in which we invest in and develop product candidates, and Partnered Discovery, in which we generate product candidates for our partners in the pharmaceutical and biotechnology industries against targets identified by our partners. We currently have 28 product candidates in clinical development across Proprietary Development and Partnered Discovery, including our most advanced proprietary product candidate, tafasitamab, for the treatment of relapsed or refractory diffuse large B cell lymphoma, or r/r DLBCL. We also have a commercial product in our Partnered Discovery portfolio, Tremfya®, developed by our partner Janssen. Tremfya®, which is approved to treat moderate-to-severe plaque psoriasis, was launched in the United States in July 2017 and has received approval for marketing in the European Union, Canada, Australia, Brazil, South Korea, Japan and China. Tremfya® additionally received approval for the treatment of three forms of psoriasis (plaque, pustular and erythrodermic psoriasis) as well for psoriatic arthritis in Japan. We believe our pipeline of novel and differentiated product candidates has the potential to treat serious diseases and improve the lives of patients.

Our late-stage and most advanced proprietary product candidate, tafasitamab, received breakthrough therapy designation, or BTD, from the U.S. FDA, in 2017 in combination with lenalidomide for the treatment of patients with r/r DLBCL, who are not eligible for high-dose chemotherapy, or HDC, and autologous stem cell transplantation, or ASCT. We are investigating tafasitamab in this indication in our L-MIND clinical trial. Our most recent interim L-MIND trial results published in June 2019 based on primary analysis of data from a

November 30, 2018 cut-off date based on 80 enrolled patients showed an Overall Response Rate, or ORR, of 60%, and the median duration response, or mDoR, of 21.7 months. The median progression-free survival, or mPFS, was 12.1 months, and the overall survival, or OS, rate at 12 months of 73.7%, with the preliminary median overall survival, or mOS, not yet reached. Based on this data as well as the outcomes of Re-MIND study, an observational retrospective study used as a matched control cohort for L-MIND, we submitted a BLA for tafasitamab in combination with lenalidomide for the treatment of patients with r/r DLBCL, who are not eligible for high-dose chemotherapy, or HDC, and autologous stem cell transplantation, or ASCT at the end of 2019, which is currently under priority review by the FDA. To prepare for the potential commercial launch of tafasitamab, if approved by the FDA, we have started to build the commercial infrastructure in the United States, including the hiring of key personnel. In January 2020, we entered into a global collaboration and licensing agreement with Incyte, to further develop and commercialize tafasitamab globally. Due to our collaboration and license agreement with Incyte, we and Incyte will co-commercialize tafasitamab, while Incyte will have exclusive commercialization rights outside of the U.S. We currently forecast an opportunity as a second-line and third-line treatment in r/r DLBCL of approximately 10,000 patients/year in the U.S. and approximately 6,500 patients/year in the five major European markets who are not eligible for HDC and ASCT. As a first-line treatment in r/r DLBCL, we believe there is currently a market opportunity of 31,800 patients in the U.S. and 20,700 patients in the five major European markets.

Based on our heritage as an antibody discovery and development company, we have a large and diverse pipeline, comprised of both proprietary and partnered programs, in multiple therapeutic areas and across all development phases. The combination of our technology platforms and antibody expertise has allowed us to generate promising product candidates and enter into multiple strategic collaborations with leading global pharmaceutical and biotechnology companies. These collaborations provide us with an additional funding source and allow us to leverage our collaborators' expertise to advance the development of our proprietary product candidates.

Our most advanced Proprietary Development programs include:

- **Tafasitamab** —an investigational, humanized Fc-engineered monoclonal antibody directed against CD19. CD19 is a target for the treatment of B cell malignancies, including DLBCL, follicular lymphoma, or FL, chronic lymphocytic leukemia, or CLL, and others. At the beginning of 2020 we signed a collaboration and license agreement granting Incyte U.S. co-commercialization and ex-U.S. commercialization rights for tafasitamab. Under the terms of the agreement, we and Incyte will be responsible for the further clinical development of tafasitamab. Tafasitamab is being clinically investigated in a number of ongoing combination trials. An open-label phase 2 combination trial (L-MIND study) is investigating the safety and efficacy of tafasitamab in combination with lenalidomide in patients with relapsed/refractory DLBCL who are not eligible for HDC and ASCT. Based on interim data from L-MIND, in October 2017 the U.S. FDA granted breakthrough therapy designation for tafasitamab plus lenalidomide in this patient population. Re-MIND, the real-world data lenalidomide alone matched control cohort met its primary endpoint in October 2019, demonstrating clinical superiority of the tafasitamab-lenalidomide combination compared to lenalidomide alone. Based on primary analysis data of L-MIND and Re-MIND, we submitted a BLA for tafasitamab for r/r DLBCL to the FDA at end of 2019, which is currently under priority review. The ongoing phase 3 study B-MIND assesses the combination of tafasitamab and bendamustine versus rituximab and bendamustine in r/r DLBCL. In December 2019, the first patient was dosed in our phase 1b study First-MIND, which assesses the combination of tafasitamab and lenalidomide + R-CHOP versus tafasitamab and R-CHOP in newly diagnosed DLBCL. In addition, tafasitamab is currently being investigated in patients with relapsed/refractory CLL/SLL after discontinuation of a prior Bruton tyrosine kinase (BTK) inhibitor therapy (e.g. ibrutinib) in combination with idelalisib or venetoclax.
- **MOR202**—an investigational, human monoclonal HuCAL antibody directed against CD38. In November 2017, we signed a regional licensing agreement with I-Mab Biopharma, or I-Mab, for MOR202 for the development in relapsed and refractory multiple myeloma, or r/r MM, in the Greater Chinese region. I-Mab initiated a phase 2 trial of MOR202 in third line r/r MM and a phase 3 trial of MOR202 in combination with

lenalidomide in second line r/r MM in March and April 2019, respectively. Moreover, I-Mab plans to start the development in systemic lupus erythematosus, or SLE. We are additionally conducting a phase 1/2a trial in patients with r/r MM, evaluating the safety and preliminary efficacy of MOR202 alone and in combination with the immunomodulatory drugs pomalidomide or lenalidomide, plus dexamethasone, respectively. While we decided not to further pursue the clinical development in MM beyond this trial, we will explore the potential activity of MOR202 in inflammatory autoimmune disorders. The underlying rationale is that the depletion of autoantibody-producing plasma cells might provide clinical benefit in autoantibody-mediated diseases, including anti-PLA2R antibody positive membranous nephropathy, or aMN. We initiated a clinical phase 1/2 trial in aMN in October 2019 and plan to dose the first patient beginning of 2020.

- **Otilimab** —a fully human HuCAL antibody directed against the granulocyte-macrophage colony-stimulating factor (GM-CSF). We discovered and advanced otilimab into clinical development in rheumatoid arthritis, or RA, and multiple sclerosis. GSK acquired the rights to otilimab pursuant to an exclusive worldwide development and license agreement that we entered into in June 2013. GSK continued the clinical development with otilimab in phase 2 trials in RA and osteoarthritis of the hand. In July 2019, GSK started a phase 3 clinical development program with otilimab in RA. Dosing of the first patient in this study triggered a milestone payment of €22 million to MorphoSys. According to clinicaltrials.gov, the first data readout is currently expected in H2 2022.
- **MOR107**—a lanthipeptide developed by our subsidiary, Lanthio Pharma which is currently in preclinical testing in oncology settings.

In addition to the programs listed above, we are pursuing several proprietary programs in earlier-stage research and development, including MOR210, a preclinical antibody that was licensed to I-Mab in November 2018 for China and certain other territories in Asia. Further, we entered into an agreement with Vivoryon Therapeutics AG in July 2019. Under the terms of the agreement, we obtained an exclusive option to license Vivoryon's small molecule QPCTL inhibitors in the field of oncology and we are currently evaluating the potential in preclinical experiments to combine these inhibitors with our antibodies—first and foremost tafasitamab.

Our most advanced Partnered Discovery products and product candidates include:

- **Tremfya®**—a HuCAL antibody directed against IL-23 marketed by our partner Janssen to treat moderate-to-severe plaque psoriasis. Tremfya® was launched in the United States and received marketing approval in the EU and Canada in 2017 and in April 2018 in Australia, Brazil, South Korea and Japan as well as in China at end of 2019 for the treatment of moderate-to-severe plaque psoriasis. In Japan, it also received marketing approval for the treatment of three forms of psoriasis (plaque, pustular and erythrodermic psoriasis) as well for psoriatic arthritis. We are entitled to royalty payments on net sales of Tremfya®. Janssen is currently investigating Tremfya® in additional phase 3 trials in different forms of psoriasis and in psoriatic arthritis as well as in phase 2 trials in Crohn's disease, ulcerative colitis and hidradenitis suppurativa and in a phase 1 study in familial adenomatous polyposis. Moreover, in September 2019 Janssen announced the submission of a supplemental biologics license application, or sBLA, for Tremfya® to the FDA for the treatment of psoriatic arthritis and in October 2019, also submitted a filing application for psoriatic arthritis to the EMA.
- **Gantenerumab**—a HuCAL antibody directed against amyloid beta that is being developed by Roche for the treatment of Alzheimer's disease. In phase 1 clinical trials, gantenerumab has been shown to reduce brain amyloid in mild-to-moderate Alzheimer's disease patients. In June 2018, Roche initiated a pivotal program consisting of two phase 3 studies named GRADUATE-1 and GRADUATE-2. This program assesses the efficacy and safety of gantenerumab in patients with early (prodromal to mild) Alzheimer's disease.

The majority of our Proprietary Development product candidates and all product candidates in our Partnered Discovery programs have been discovered and engineered using our advanced antibody technology platforms. Our core platforms include:

- HuCAL® (Human Combinatorial Antibody Library)—HuCAL is our original technology platform, which constitutes a collection or "library" of several billion distinct fully human antibodies. This platform enables rapid selection of antibodies having high affinity and specificity as well as systematic optimization of antibodies to precisely-defined specifications to increase the probability of successful clinical development.
- Ylanthia®—Ylanthia is our newest antibody library, which comprises over 100 billion fully human antibodies. Ylanthia enables the generation of fully human antibody candidates with optimized biophysical properties, which we believe offer a number of important advantages over competing platforms. This platform builds on our experience in generating more than 100 therapeutic product candidates using our original HuCAL platform. We believe Ylanthia will be the source of the next generation of therapeutic antibody candidates in our and our partners' future pipelines.
- Lanthipeptides/ HTH peptides—Our lanthipeptide platform and our HTH peptide platform opens up new possibilities for discovering product candidates based on highly specific and stable peptides, which are intended to bind and activate only one target receptor subtype.

We are committed to investing in our platforms, generating new therapeutics and developing them into products that address significant unmet medical needs.

We have an internationally-trained, multi-cultural team of about 426 employees (as of December 31, 2019) and consultants, including a research and development team of 300 scientists, clinicians and support staff. Our management team and senior experts have deep experience and capabilities in biology, chemistry, product discovery and clinical development.

Our Strengths

We believe our core strengths include:

Our lead product candidate tafasitamab, which has been granted BTD in r/r DLBCL by the FDA and has further potential in additional hematological malignancies.

Additional differentiated proprietary product candidates, such as MOR202 and otilimab, in clinical trials for the treatment of cancer, autoimmune indications and rheumatoid arthritis.

Our antibody pipeline, which is one of the broadest and deepest in the biotech industry and which provides us with multiple opportunities for value creation.

Our long-term technology leadership in antibody discovery, generation and engineering as demonstrated by multiple collaborations with leading pharmaceutical and biotechnology companies as well as by the breadth and depth of our technology platforms.

Our diversified business model with both proprietary and partnered development programs, which provides us with a strong financial base and strategic flexibility.

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

Our experienced management team, comprising of industry leaders in antibody discovery and development.

Our Strategy

Our goal is to make differentiated, innovative biopharmaceuticals to improve the lives of patients suffering from serious diseases. Our strategy to achieve this goal is:

Continue to advance the development of our lead product candidate tafasitamab towards regulatory approval—The tafasitamab program is currently in pivotal clinical-stage development following receipt of BTD by the FDA

in October 2017 based on interim data from our L-MIND study. At the end of 2019, we submitted a BLA for tafasitamab in combination with lenalidomide for the treatment of r/r DLBCL to the U.S. FDA, which is currently under priority review. In addition, we are evaluating opportunities to develop tafasitamab in other treatment lines and additional hematological malignancies.

Build our commercial capabilities in connection with the potential future approval of tafasitamab—If marketing approval is granted for tafasitamab, we and Incyte will co-commercialize tafasitamab in the U.S., while Incyte has exclusive commercialization rights outside of the U.S. With the establishment of our wholly owned subsidiary, MorphoSys US Inc., we have commenced the build-up of our commercial infrastructure in the United States to be prepared for the potential launch of tafasitamab, complemented by the commercial expertise and infrastructure at Incyte.

Continue the development of MOR202—In order to maximize the value of MOR202, we are exploring opportunities for its further development beyond multiple myeloma in inflammatory autoimmune disorders, including anti-PLA2R antibody positive membranous nephropathy, or aMN. We plan to dose the first patient in a clinical phase 1/2 trial in aMN in the first quarter of 2020; first clinical sites have already been activated in October 2019.

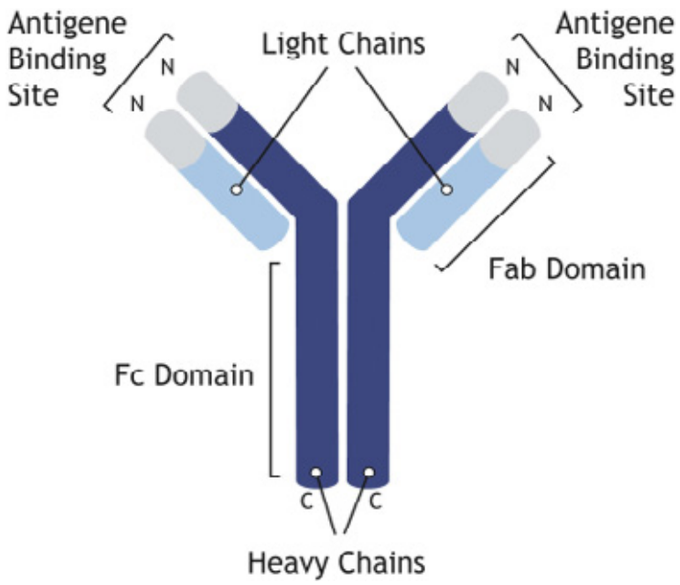
Advance our earlier-stage product candidates—We continue to advance the development of our early-stage product candidates.

Realize the value of our technology platforms by using them to discover and develop additional early-stage proprietary programs—We continue to capitalize on the advantages of our antibody technologies and our internal expertise and know-how to discover and develop novel product candidates.

Background on Antibodies as Therapeutic Agents

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

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



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

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

The first methods for producing specific single defined antibodies that recognize a single antigen, or monoclonal antibodies, in order to use them as therapeutics were developed approximately 40 years ago. While cancer and inflammatory conditions have been the two largest disease areas for therapeutic antibody discovery, the broad applicability of antibodies has led to a rapid expansion of their use in other indications, including infectious diseases, metabolic conditions and neurodegenerative diseases. As a result, more than 50 antibodies are currently approved for marketing in various clinical applications. Among these are therapeutic antibodies that label and/or block the activity of cell surface receptors or signaling molecules, stimulate the activity of cells or lead to their elimination by effector cells, and bind toxic substances from the bloodstream to accelerate their elimination.

Initially, monoclonal antibodies were derived from mice. However, antibodies derived from mice are of limited use as therapeutic agents since the human immune system recognizes such antibodies as foreign molecules and may trigger a defense reaction against them. Technological advances over the last three decades have allowed the modification of antibody structures to make them more "human-like", culminating in the creation of fully human antibodies. Currently, it is possible to generate fully human antibodies from transgenic mice. With our Human Combinatorial Antibody Library (HuCAL), we have developed a technology for the *in vitro* generation of highly

specific and fully human antibodies. Ylanthia, which is our most recent antibody technology platform, comprises more than 100 billion distinct, different, fully human antibodies.

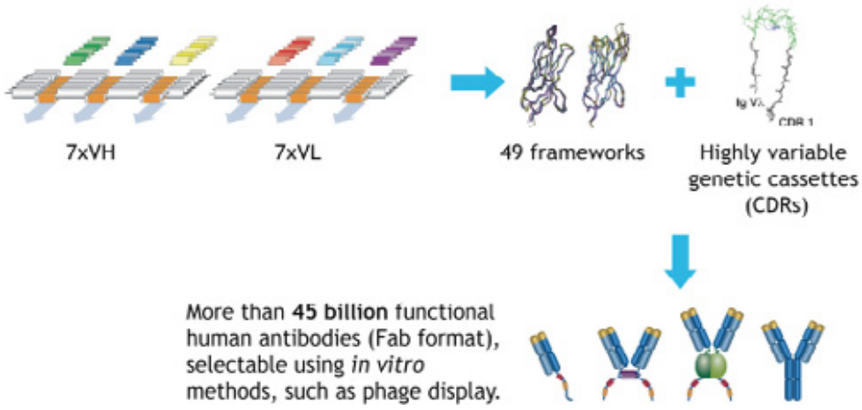
With our acquisition of Lanthio Pharma B.V. in 2015, we gained full access to Lanthio Pharma's proprietary LanthioPep technology, which is focused on the generation and development of lanthipeptides. Our lanthipeptide platform opens up new possibilities for discovering product candidates based on highly specific and stable peptides, which are intended to bind and activate only one target receptor subtype. Another addition to the technology portfolio is our proprietary Helix-Turn-Helix, or HTH, peptide technology. In contrast to the lanthipeptides that are stabilized by amino acid modifications, the HTH peptides are stabilized by their structure. MorphoSys's peptide technology aims at generating a novel class of structured and eminently stable peptides enabling highly selective and high affinity target binding. Potential applications of peptides include the use as stand-alone drugs, as fusion partners to proteins, or as agents that are chemically modified or fused to toxins. This approach is intended to enable targeting of novel epitopes and to open up new target space.

Due to our agreement with Vivoryon Therapeutics AG, we have obtained an exclusive option to license Vivoryon's small molecule QPCTL inhibitors in the field of oncology. The option covers worldwide development and commercialization for cancer of Vivoryon's family of inhibitors of the glutaminyl-peptide cyclotransferase-like (QPCTL) protein, including its lead compound PQ912. Preclinical data strongly suggest that the compound could represent a novel approach for cancer therapy. Vivoryon's orally available compounds target the QPCTL enzyme, which has been shown to be a modulator of the CD47-SIRP alpha interaction. Left unchecked, this interaction, known as the "don't eat me" signal, allows cancer cells to escape the body's innate immune defense through inhibition of the phagocytic activity of macrophages. During the option period, we will conduct preclinical validation experiments on Vivoryon's family of QPCTL inhibitors, including an assessment of the potential benefits of combining them with our proprietary program tafasitamab, which is currently in late-stage development for the treatment of r/r DLBCL.

Our core technology platforms are HuCAL, Ylanthia, Helix-Turn-Helix peptides and Lanthipeptides. HuCAL was our first-generation antibody platform. Its successor, Ylanthia, is based on our engineering know-how and experience in development of over 100 therapeutic antibody projects.

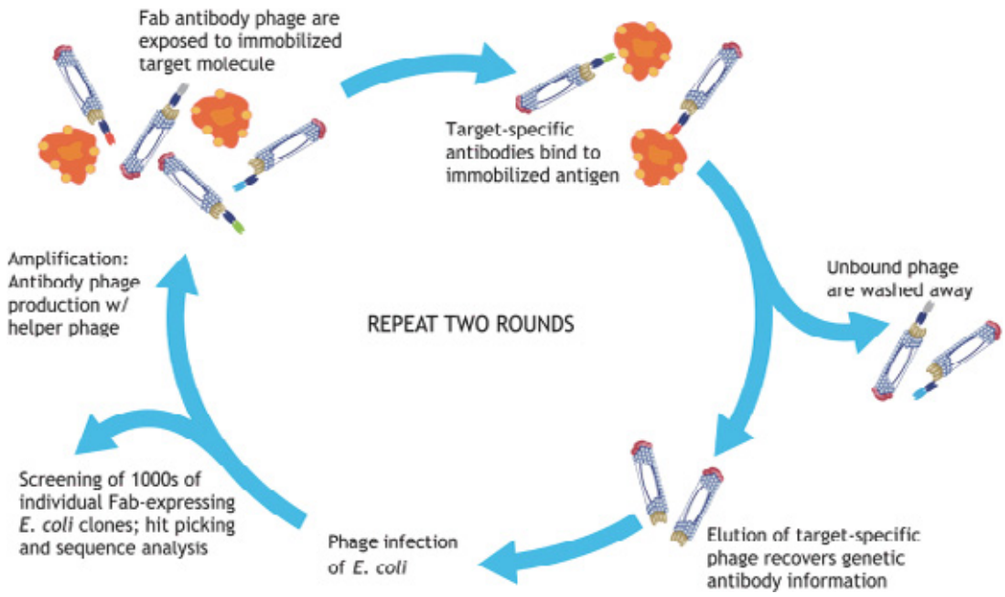
HUMAN COMBINATORIAL ANTIBODY LIBRARY (HUCAL)

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



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

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



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

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

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

Today, thousands of antibodies have been made using the HuCAL technology, and over 20 HuCAL antibodies are in clinical trials.

YLANTHIA

The Ylanthia antibody library is based on a concept that incorporates desirable antibody characteristics in its design through the selection of optimal framework pairs and design of the complementary determining regions. Ylanthia is a new platform that provides fully human antibody candidates with optimized biophysical properties. This feature, called “developability”, is crucial for modern biologics development and production. In contrast to

small molecules, the production of protein-based therapeutics (biologics) is a highly complex process. Final formulation requirements, including the production of proteins soluble at high concentrations in small volumes for subcutaneous injections, further raise the bar for success. Multiple biologics have failed in their development due to a poor "developability" profile. In Ylanthia, properties such as production yield, solubility, monomeric content, lack of immunogenicity, and absence of post-translational modifications have been optimized by the design of the library using 25 years of our protein engineering know-how. The size, sequence correctness and structural diversity also reflect the lessons we learned in modern biologics development in over 100 therapeutic antibody projects.

Key distinguishing and industry leading features of Ylanthia include:

- Size and heavy/light chain pairing: Ylanthia is one of the industry's largest known antibody Fab library, comprising over 100 billion distinct, fully human antibodies. Ylanthia uses 36 fixed, naturally-occurring heavy and light chain framework combinations, which translates into extensive structural diversity. The library's diversity delivers antibodies against previously inaccessible target molecules and unique epitope coverage;
- Enhanced biophysical properties: Antibody frameworks were pre-selected for expression levels, stability and aggregation behavior. A shift towards higher stability and stress tolerance will increase shelf life and serum stability of resulting antibody products, making them more cost-effective to produce and administer. A higher solubility in turn opens up the path for more convenient formulations for patients, such as subcutaneous administration. These features obviate the need to engineer Ylanthia antibodies, which is common practice with other technologies. By avoiding engineering steps, development timelines are shortened and the risk that Ylanthia antibodies fail in the manufacturing and formulation process is reduced;
- Ability to address antigens that are difficult to target with antibodies, such as G-protein coupled receptors, or GPCRs, which are a very important product target class. This target class is notoriously difficult to address using other antibody technologies. GPCRs are proteins that are embedded in the cellular membrane with only small protruding portions (domains) that are accessible to the antibody. Ylanthia was designed in a way that these small domains can also be targeted;
- Rapid, highly efficient optimization: When needed, antibodies from the Ylanthia library are optimized using our Slonomics technology. Slonomics is a fully automated DNA synthesis platform that utilizes sets of double-stranded DNA triplets in the controlled fabrication of highly diverse combinatorial gene libraries. With Slonomics, Ylanthia distinguishes itself from HuCAL, which relies on a modular gene design and pre-formed cassettes for antibody optimization;
- Ylanthia demonstrated its ability to deliver drug-quality antibodies when MOR106 became the first Ylanthia antibody to enter clinical trials; and
- Ylanthia is used in all of our ongoing proprietary discovery projects.

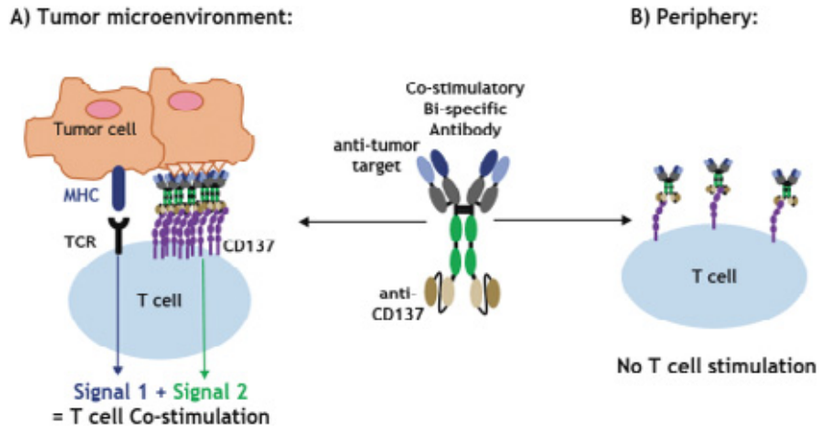
BISPECIFIC ANTIBODIES

One goal using Ylanthia is to enhance the efficacy of direct tumor targeting using bi-specific antibodies that activate T cells, which are expected to kill the tumor cells. This approach is intended to allow for a binding of a bi-specific antibody to T cells via CD137 (4-1BB) and to the antigen present on the tumor cell, thereby enhancing T cell recruitment to the tumor as well as co-stimulation of tumor-specific effector T cells. Consequently, this is intended to result in enhanced activation of T cells and tumor cell killing.

CD137 is a validated, co-stimulatory checkpoint target expressed on T cells. First signs of efficacy with monospecific antibodies against CD137 (such as utomilumab) in patients with advanced solid cancer have been shown. Furthermore, a bi-specific approach against CD137 and a tumor target is meant to increase efficacy and the therapeutic window by co-stimulation of tumor-specific effector T cells in the tumor microenvironment. Additionally, a potential advantage of this approach is reduced toxicity compared to a CD3-based bi-specific

antibody due to the fact that no activation of T cells will occur in the periphery. Moreover, the approach might offer a combination potential with further checkpoint modulators such as PD-1, PD-L1, CTLA-4 and others.

The figure below depicts the suggested mode of action of a bi-specific anti-CD137 antibody within the tumor microenvironment in a schematic overview:



A) Tumor microenvironment: An antibody binding to both the tumor cell and CD137 is intended to induce activation of tumor-specific effector T cells and subsequent enhancement of tumor cell killing.

B) In the periphery, binding of the bi-specific antibody to the T cell does not lead to T cell stimulation due to the absence of the tumor cell antigen.

Today, proprietary Ylanthia anti-CD137 antibodies are generated that are equipotent to a competitor reference antibody as analyzed in relevant *in vitro* assays and a bi-specific, bi-valent effector-format with IgG-like properties has been established.

HELIX-TURN-HELIX PEPTIDE TECHNOLOGY

Our helix-turn-helix peptide technology aims at generating a novel class of structured and eminently stable peptides enabling highly selective and high affinity target binding, thus combining small molecule-like properties with antibody-like specificities. Several libraries based on the stable helix-turn-helix scaffold with different diversification design were generated and guarantee selection of high diversity of specific peptides via a tailored selection process based on phage display. The peptides are amenable to chemical synthesis as well as recombinant expression. Potential applications of peptides include their use as stand-alone drugs, as fusion partners to proteins, and as agents that are chemically modified or fused to toxins. This approach is intended to enable targeting of novel epitopes and to open up new target space.

LANTHIPEPTIDES

With our acquisition of Lanthio Pharma B.V. in 2015, we gained full access to Lanthio Pharma's proprietary LanthioPep technology. We believe this technology may be used to generate novel peptide products with therapeutic potential. We have subsequently developed a proprietary platform which permits phage display of lanthipeptides. This platform synergistically combines our expertise in phage display and library diversification of monoclonal antibodies with Lanthio Pharma's knowledge of lanthipeptide biosynthesis.

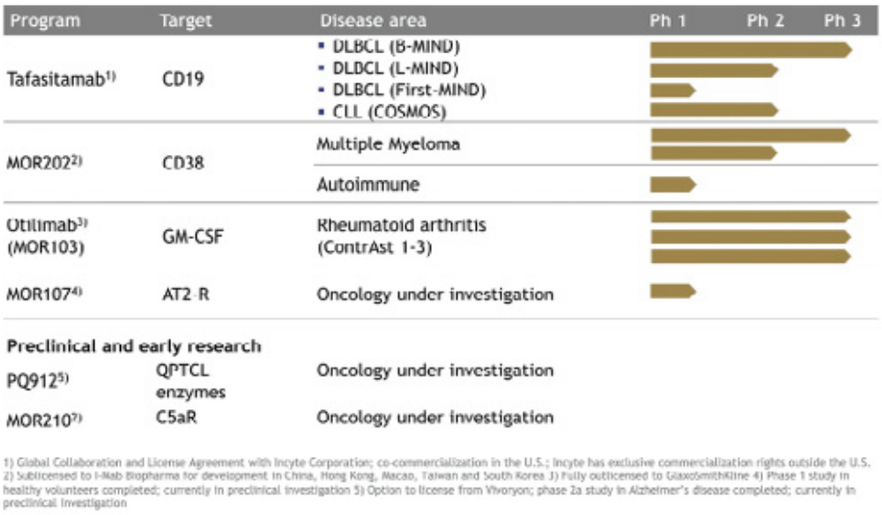
As natural ligands to many targets, peptides may have agonistic or antagonistic activity with low toxicity risk and can be applied to disease targets, where small molecules or antibody-based products cannot be used.

Furthermore, they can be chemically produced and alternative routes for drug delivery (such as inhalation) may be possible. However, the number of therapeutic peptide products is limited by properties that are inherent to many natural (wild-type) peptides, for example, that they often bind to multiple receptor subtypes and that the time they remain active in the body is usually very short. Our lanthipeptides offer the potential to overcome these problems and make it possible to discover highly target-selective peptides, which only bind and activate one specific target subtype. The following sets forth some of the benefits of our lanthipeptide technology:

- A peptide can have different structural conformations, which can allow it to bind to several different receptors. One conformation is often optimal for binding to one specific receptor. Our technology can be used to make lanthipeptides that are selective for one specific receptor by constraining them in the optimal structural conformation for binding to that receptor. In this way we have identified several selective and highly active agonistic peptides for various GPCR targets.
- In addition, our technology not only constrains peptides in their optimal target binding conformation, but through the introduction of lanthionines, we have also developed protection against peptidase degradation. We have also established phage display of lanthipeptides, enabling the creation of lanthipeptide libraries from which lead molecules can be selected. We completed a clinical phase 1 trial in the first synthetic lanthipeptide, MOR107, in 2017.

PROPRIETARY DEVELOPMENT

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



1) Global Collaboration and License Agreement with Incyte Corporation; co-commercialization in the U.S.; Incyte has exclusive commercialization rights outside the U.S. 2) Sublicensed to I-Mab Biopharma for development in China, Hong Kong, Macao, Taiwan and South Korea 3) Fully outlicensed to GlaxoSmithKline 4) Phase 1 study in healthy volunteers completed; currently in preclinical investigation 5) Option to license from Vivoryon; phase 2a study in Alzheimer's disease completed; currently in preclinical investigation

TAFASITAMAB

OVERVIEW

Tafasitamab (formerly known as MOR208, XmAb5574) is an investigational, humanized Fc-engineered monoclonal antibody directed against the antigen CD19, which is broadly expressed on the surface of B cells, a type of white blood cell, and is thus a target against B cell malignancies. We are currently investigating tafasitamab for the treatment of various B cell malignancies, including diffuse large B cell lymphoma (DLBCL) and chronic lymphocytic leukemia (CLL). The main focus of the current tafasitamab development program is on relapsed/refractory (r/r) DLBCL, and we have two studies—L-MIND (phase 2) and B-MIND (phase 2/3) ongoing in that indication. At the end of December 2019, we initiated a clinical phase 1b study of tafasitamab in newly diagnosed DLBCL.

We are developing tafasitamab pursuant to a collaboration and license agreement that we entered into in June 2010 with Xencor. For more information on this agreement, please refer to Collaboration and License Agreements—Collaboration and License Agreement with Xencor. In addition, at the beginning of 2020 we signed a collaboration and license agreement granting Incyte U.S. co-commercialization and ex-U.S. commercialization rights for tafasitamab. Under the terms of the agreement, we and Incyte will be responsible for the further clinical development of tafasitamab. For more information on this agreement, please refer to Collaboration and License Agreements – Collaboration and License Agreement with Incyte.

In 2014, we were granted fast track designation for tafasitamab by the FDA for the treatment of r/r DLBCL. The FDA's fast track program is designed to facilitate the development and expedite the review of product candidates intended, alone or in combination with one or more other drugs, for the treatment of a serious or life-threatening disease or condition, and that demonstrates the potential to meet an unmet medical need for such diseases or conditions. Also, the FDA and the European Commission have granted orphan drug designation (in 2014) and orphan medicinal product status (in 2015), respectively, for tafasitamab for DLBCL and CLL/small lymphocytic lymphoma (SLL).

In October 2017, based on preliminary data from the ongoing L-MIND study, the FDA granted BTD for tafasitamab in combination with lenalidomide (LEN), for the treatment of patients with r/r DLBCL who are not eligible for high-dose chemotherapy and autologous stem cell transplantation. The FDA grants this designation to a product candidate intended alone or in combination with one or more other drugs to treat a serious or life-threatening disease or condition when preliminary data indicate that the product candidate may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. The FDA's grant of breakthrough therapy designation is intended to expedite the development and review of product candidates.

At the end of 2019, we submitted a biologics license application (BLA) for tafasitamab based on the primary analysis data from the phase 2 L-MIND trial of tafasitamab in combination with lenalidomide in patients with r/r DLBCL and primary analysis data from our Re-MIND study. The FDA accepted our BLA filing, granted priority review and has set a Prescription Drug User Fee Act (PDUFA) goal date of August 30, 2020. The FDA has informed us that they are not currently planning to hold an advisory committee meeting to discuss the application.

TREATMENT OF B CELL MALIGNANCIES AND DLBCL

B cell malignancies include lymphomas such as Non-Hodgkin's Lymphoma, or NHL, including DLBCL, and leukemias such as CLL and Acute Lymphoblastic Leukemia (ALL).

First-line treatment of B-cell malignancies, including DLBCL, most commonly consists of a combination chemotherapy regimen plus rituximab (Rituxan®), also referred to commonly as R-CHOP (R, rituximab; CHOP, cyclophosphamide, doxorubicin, vincristine and the corticosteroid prednisone). There is a scientific rationale for

the replacement of a CD20-targeting approach such as with rituximab (Rituxan®) with a CD19 targeting antibody. First of all, CD19 has been shown to be expressed earlier and more broadly during B cell development than CD20. Secondly, in clinical practice, an anti-CD20 approach is often applied by physicians in the relapsed or refractory (r/r) setting, even though patients have already shown a relapse to a prior therapy containing an anti-CD20 antibody. In DLBCL, despite the therapeutic success of first-line R-CHOP, up to 40% of patients become refractory to or relapse after initial treatment with fast progression of disease.

DLBCL patients who are refractory or relapse after R-CHOP have a poor prognosis and few therapeutic options. Treatment options for r/r DLBCL are currently curative high-dose chemotherapy (HDC) and subsequent autologous stem cell transplantation (ASCT), if the patients are relatively fit. In late 2017, a first chimeric antigen receptor-T cell (CAR-T) therapy by Kite/Gilead (Yescarta®) was approved for the treatment of r/r DLBCL. Meanwhile, the FDA approved Yescarta® also for the treatment of primary mediastinal B cell lymphoma, high-grade B cell lymphoma and DLBCL that results from follicular lymphoma. In August 2018, Yescarta® also received European Marketing Authorization for the treatment of r/r DLBCL and PMBCL after two or more lines of systemic therapy. In March and August 2018, a second CAR-T therapy, Kymriah®, developed by Novartis, received FDA approval and European approval, respectively, for the treatment of ALL and r/r DLBCL after two or more lines of prior therapy. It remains to be seen what proportion of r/r patients will be considered to be eligible for such therapies, and how broadly such therapies will be available for the foreseeable future. For those DLBCL patients who are not eligible for HDC and ASCT, or for CAR-T treatments, current treatment options are limited.

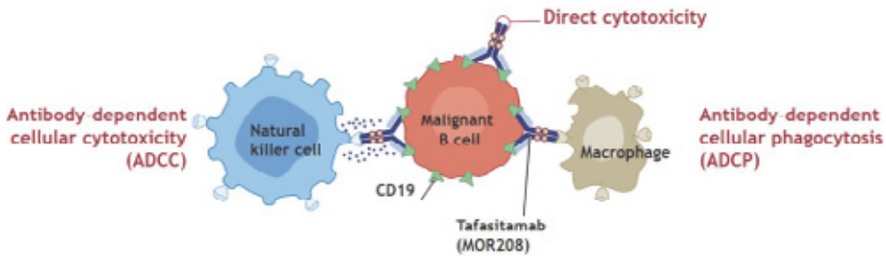
In r/r DLBCL, approximately half of patients are eligible for HDC followed by ASCT. Of those r/r DLBCL patients who can be transplanted, about 50% suffer a further relapse. Therefore, the vast majority of DLBCL patients relapsing after first-line treatment will ultimately be treated in a palliative setting, utilizing such regimens as rituximab plus bendamustine. There remains a high unmet need for novel therapies in r/r patients, especially in those not able to undergo HDC and ASCT.

TAFASITAMAB FOR TREATMENT OF B CELL MALIGNANCIES, INCLUDING DLBCL

TAFASITAMAB—PROPOSED MECHANISM OF ACTION

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

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



We believe that, if approved by the authorities, tafasitamab may offer a differentiated therapeutic approach in DLBCL. In particular, for r/r DLBCL patients who are ineligible for or not willing to undergo HDC and ASCT, available treatment options are limited. It is our goal to further clinically investigate tafasitamab in this patient segment who are in need of more treatment options.

DEVELOPMENT OF TAFASITAMAB

Tafasitamab has been or is being investigated in several clinical trials in the following indications: DLBCL, FL/MZL, CLL/SLL and B cell acute lymphoblastic leukemia (B-ALL). A phase 1 trial in CLL/SLL and a phase 2 trial in B-ALL were completed in 2013 and 2015, respectively. A phase 2 trial in NHL (including r/r DLBCL, mantle cell lymphoma (MCL), follicular lymphoma (FL), and other indolent NHL) and an investigator-initiated phase 2 trial in CLL/SLL are currently ongoing. Three additional trials (two in DLBCL and one in CLL) in combination with other therapies are also currently ongoing and we recently started a phase 1b study with tafasitamab in newly diagnosed DLBCL called First-MIND which assesses tafasitamab or tafasitamab and lenalidomide in addition to R-CHOP in adult patients with newly diagnosed, previously untreated DLBCL.

The main focus of the current tafasitamab development program is on DLBCL. Our L-MIND and B-MIND trials, as well as our First-MIND study, are being conducted in this indication. L-MIND and B-MIND are focusing on r/r DLBCL patients who are not eligible for high-dose chemotherapy and subsequent autologous stem cell transplantation. Following its review of preliminary data from the L-MIND study, in October 2017 the FDA awarded breakthrough therapy designation for tafasitamab, in combination with LEN for the treatment of non-transplant eligible patients with r/r DLBCL and we submitted a BLA to the FDA based on primary completion data of L-MIND by end of 2019, which is currently under priority review. Our First-MIND study enrolls patients with previously untreated DLBCL.

ACTIVE CLINICAL COMBINATION TRIALS

Currently four clinical combination studies with tafasitamab are ongoing—L-MIND, B-MIND, First-MIND and COSMOS.

L-MIND: The L-MIND study is a phase 2 trial initiated in April 2016 to evaluate tafasitamab in combination with lenalidomide in patients suffering from r/r DLBCL. The trial was designed as an open-label, single-arm

study with the primary endpoint being objective response rate (ORR) by an independent review committee, with multiple secondary endpoints, including progression-free survival (PFS), overall survival (OS) and time to progression (TTP). We completed the safety run-in phase of the L-MIND trial in August 2016. No unexpected safety signals have been detected and the trial was continued as planned. The trial enrolled patients with r/r DLBCL after up to three prior lines of therapy, with at least one prior therapy including an anti-CD20 targeting therapy, such as rituximab (Rituxan®). Patients enrolled could not be candidates for HDC and ASCT. Patient enrollment was completed in November 2017. Detailed data of the primary analysis (cut-off date November 30, 2018, and a follow-up period of at least 12 months for all patients) were presented on June 22, 2019 at the 15th International Conference on Malignant Lymphoma (ICML) in Lugano, Switzerland. The 81 patients enrolled had a median age of 72 years and a median of two prior therapies. 61/81 (75%) were in advanced Ann Arbor stage III/IV; 36/81 (44%) were refractory to the last prior therapy line and 33/81 (41%) were rituximab-refractory in any line.

Efficacy results in this update were based on 80 patients who received the tafasitamab plus LEN combination and were assessed by an independent review committee. The ORR was 60% (48 out of 80 patients), and the complete response (CR) rate was 43% (34 out of 80 patients). 88% of the CRs were PET (positron emission tomography) confirmed. Consistently high activity was observed in relevant patient subgroups. Responses were durable with a median DoR was 21.7 mo (95% CI 21.7 – NR), especially in patients who achieved a CR (median not reached; 95% CI 21.7 – NR). The median progression-free survival (mPFS) was 12.1 months with a median follow-up of 17.3 months. Median overall survival (OS) was not reached (NR) (95% CI 18.3 months—NR) with a median follow-up time of 19.6 months. The 12-month OS rate was 73.7%.

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

On October 29, 2019, we announced topline results from the primary analysis of the retrospective observational matched control cohort (Re-MIND). This study was designed to compare the effectiveness of lenalidomide monotherapy based on real-world patient data with the efficacy outcomes of the tafasitamab-lenalidomide combination, as investigated in our L-MIND trial. Re-MIND collected outcome data from 490 non-transplant eligible patients with r/r DLBCL who had received lenalidomide monotherapy in the U.S. and the EU in a real-world setting. Qualification criteria for matching patients of both studies were pre-specified. As a result, 76 eligible Re-MIND patients were identified and matched 1:1 to 76 of 80 L-MIND patients based on important baseline characteristics. Objective response rates (ORR) were validated based on this subset of 76 patients in Re-MIND and L-MIND, respectively. The primary endpoint of Re-MIND has been met and shows a statistically significant superior best ORR of the tafasitamab-lenalidomide combination compared to lenalidomide monotherapy. ORR was 67.1% (95% confidence interval (CI): 55.4-77.5) for the tafasitamab-lenalidomide combination, compared to 34.2% (CI: 23.7-46.0) for the lenalidomide monotherapy ($p<0.0001$; odds ratio 3.89 [95% CI 1.90, 8.14]). Superiority was consistently observed across all secondary endpoints, including complete response (CR) rate (tafasitamab-lenalidomide combination 39.5%; 95% CI: 28.4-51.4 versus lenalidomide monotherapy 11.8%; 95% CI: 5.6-21.3; $p<0.0001$), as well as in pre-specified statistical sensitivity analyses. In addition, there was a significant difference observed in overall survival, which was not reached in the tafasitamab-lenalidomide combination as compared to 9.4 months in the lenalidomide monotherapy (hazard ratio 0.47; CI: 0.30-0.73; $p<0.0008$).

At the end of 2019, we submitted a BLA to the U.S. FDA for tafasitamab for the treatment of r/r DLBCL. The BLA submission is based on the primary analysis data from the L-MIND trial of tafasitamab in combination with lenalidomide in patients with r/r DLBCL, the retrospective observational matched control cohort Re-MIND

evaluating efficacy outcomes of r/r DLBCL patients who received lenalidomide monotherapy and the phase 2 NHL study evaluating efficacy and safety of r/rDLBCL patients who received tafasitamab monotherapy. In parallel, we announced our intention to submit a Marketing Authorization Application (MAA) to the EMA based on the L-MIND study. A letter of intent was submitted to the EMA in early July 2019, and it is planned to complete the MAA submission by mid-2020.

B-MIND: The B-MIND trial is a phase 2/3 randomized, multicenter study in which patients are randomized in a one-to-one fashion to receive either tafasitamab in combination with bendamustine or rituximab (Rituxan®) in combination with bendamustine. The study was initiated in September 2016 at 180 centers across Europe, the Asia/Pacific region and the United States and aims to enroll patients with r/r DLBCL. Patients must have been treated previously with at least one but not more than three prior lines of therapy, including one anti-CD20 targeted therapy, such as rituximab (Rituxan®) and must not be candidates for HDC and ASCT. In June 2017, the phase 3 part of B-MIND commenced. Prior to that, the Independent Data Monitoring Committee of the trial had supported its continuation as per protocol and the transition of the study into its phase 3 part based on the available data from the phase 2 safety evaluation. In the first quarter of 2019, after consultation with the FDA we amended the study by including a secondary, co-primary endpoint based on a biomarker, defined as a low baseline peripheral blood natural killer (NK) cell count. Patients with a low number of NK cells (defined as 100 or fewer NK cells per microliter of blood) at study entry represent approximately 50% of the total study population and are believed to exhibit a less favorable response to anti-CD20-based therapies. In November 2019, the B-MIND study successfully passed the pre-planned, event-driven interim analysis for futility. An independent data monitoring committee (IDMC) assessed efficacy data in both the overall patient population as well as in the biomarker-positive subpopulation and recommended to increase the number of patients from currently 330 to 450. Recruitment is continuing and topline results are expected to be available in 2022.

First-MIND: In addition to the aforementioned clinical development, we initiated a clinical phase 1b trial named First-MIND with tafasitamab in frontline DLBCL by end of 2019. The study is an open-label, randomized, two arm multicenter phase 1b study to evaluate safety and preliminary efficacy of tafasitamab or tafasitamab and lenalidomide in addition to R-CHOP in adult patients with newly diagnosed, previously untreated DLBCL. Patients enrolled in each arm will receive six cycles of treatment. The primary endpoint is the incidence and severity of treatment-emergent adverse events (AEs), key secondary endpoints are objective response rate (ORR) and PET-negative complete response (CR) rate at the end of treatment.

COSMOS: In addition to the trials in DLBCL described above, we are currently evaluating tafasitamab in a phase 2 trial in r/r CLL and SLL. The trial, named COSMOS, is a two-cohort open-label, multicenter study evaluating the preliminary safety and efficacy of tafasitamab combined with the PI3K -inhibitor idelalisib (cohort A) or the BCL-2 inhibitor venetoclax (cohort B) in patients with r/r CLL or SLL who failed or were intolerant on prior treatment with Bruton's Tyrosine Kinase inhibitor (BTKi) ibrutinib. Treatment was planned to be administered until disease progression. At ASH 2019, primary analysis data for both cohorts with a cut-off date as of October, 2019, were presented. In cohort A, eleven patients were enrolled and received tafasitamab plus idelalisib. The patients were elderly (median age 69 years), heavily pretreated (median of 5 prior therapies, range 2-9), and had adverse prognostic features (eg 46% TP53 mutations, 46% del17p, ≥55% complex karyotype). The median time on study was 7.4 months. The best overall response rate was 91% (10/11 patients) with one patient achieving a CR (9%). Of the eight patients assessed for minimal residual disease (MRD) status, two patients achieved MRD negativity in peripheral blood and one out of three patients tested achieved MRD negativity in the bone marrow. 9/11 (81.8%) patients discontinued treatment during the study, 4 patients due to progressive disease (PD), 2 patients due to adverse events (AEs), 2 patients due to deaths, and one patient due physician decision (9.1%). Neutropenia was the most common Grade ≥3 treatment-emergent AE (TEAE) (46%), followed by anemia (27%), and thrombocytopenia (27%) (Table 2). In cohort B, 13 patients were enrolled to receive tafasitamab plus venetoclax. The median age was 64 years, median number of prior therapies 3 (range 1-5). Patients had adverse prognostic features (69% unmutated IgVH status, 92% ≥ complex karyotype, 31% TP53 mutation, 31% del17p). 11/13 received tafasitamab plus venetoclax, 2 patients received tafasitamab only since they discontinued after an infusion-related reaction on C1D1. The median time on study was 15.6 months. A best

ORR was achieved in 10/13 (76.9%) patients (CR 46.2%, PR 30.8%) in the intention-to-treat population. Of the seven patients assessed for MRD status, six patients achieved MRD negativity in the PB, and 2 of 4 patients assessed achieved MRD negativity in BM. Eight (61.5%) patients discontinued treatment during the study, 3 due to AEs, one due to progressive disease, one due to death, and three due to other reasons. Neutropenia was the most common Grade ≥3 TEAE (46%), followed by anemia (8%) and leukopenia (8%). In the COSMOS study, the combinations of tafasitamab with idelalisib or tafasitamab with venetoclax were generally well tolerated, with promising efficacy in heavily pretreated patients with R/R CLL who discontinued prior treatment with a BTK inhibitor. The toxicity profile was distinct and was dependent on the combination partner; however, the TEAEs in both combinations were manageable. The response rate and durability of response suggest that both combinations are clinically active in patients with R/R CLL who discontinued prior treatment with a BTK inhibitor. The response rates and MRD negativity outcomes indicate that combinations of targeted agents with tafasitamab, an anti-CD19 antibody, have valuable antitumor activity.

ACTIVE SINGLE-AGENT CLINICAL TRIAL

Phase 2a Clinical Trial with Tafasitamab as a Single Agent in r/r NHL including DLBCL

We conducted an open-label, phase 2a, multicenter study to assess the activity and safety of weekly doses of 12 mg/kg tafasitamab as a single agent in 92 pre-treated patients with various subtypes of r/r NHL, including DLBCL, MCL, FL and other indolent NHL (iNHL), including MZL. Seventy-six of the 92 patients were evaluable for post-baseline response assessment. The ORR was 36% in the DLBCL subgroup and 30% in iNHL patients (both based on evaluable patients). Based on all patients with DLBCL and iNHL in the study, the ORR was 26% and 29%, respectively. In addition to patients achieving a partial or complete response (PR, CR), a clinical benefit was also observed in other patients treated with tafasitamab. The majority of patients (5/6 DLBCL and 12/16 iNHL) with stable disease also had a reduction in the size of the target lesions. This resulted in a disease control rate of 40% in DLBCL and 73% in iNHL patients.

Following updated data from a longer follow-up of the study were reported at the ASH 2019 Annual Meeting:

In the overall population of 22 responders, the median duration of response (DoR) was 24.0 months (95% confidence interval [CI]: 11.1–not applicable [NA]). The median DoR of 20.1 months (95% CI: 1.1–not reached [NR]) for the nine responders with DLBCL was comparable with the DoR of 24 months (95% CI: 2.6–NR) for the 10 responders with FL. Median DoR in the other iNHL subgroups was not reached (three responders, none with documented progression). The median Time to progression (TTP) of the intent-to-treat (ITT) population was 5.4 months (95% CI: 3.4–12.0). For the DLBCL subgroup TTP was 3.1 months, for the FL subgroup it was 8.8 months, and for MCL it was 3.0 months. For other iNHL the median time was not reached.

Median progression-free survival (PFS) was 2.7 months (95% CI 2.1–13.2) in patients with DLBCL, 8.8 months (95% CI 5.4–20.5) in patients with FL and not reached (95% CI 2.0–NA) in patients with other iNHLs. PFS rate at 12 months (K-M estimate) was 34.3% for DLBCL, 39.2% for FL, 18.7% for MCL, and 53.3% for the other iNHL subgroup. Overall, similar 12-month PFS was observed in rituximab-refractory (43.5%, 95% CI: 18.0–51.4) as well as non-refractory patients (37.0%, 95% CI: 21.3–52.8). Five patients enrolled in this study who were in complete remission and still on tafasitamab treatment at the cut-off date (28 September 2018) demonstrated the feasibility of long-term treatment (>4 years) with tafasitamab monotherapy.

Tafasitamab was well tolerated in patients with r/r NHL. Most treatment-emergent adverse events (TEAEs) were mild in nature. The most common grade ≥3 TEAEs were neutropenia (9.8%), thrombocytopenia (4.3%), anemia (3.3%) and pneumonia (3.3%). Four patients (4.3%) experienced serious adverse reactions (febrile neutropenia, genital herpes zoster, infusion-related reaction and myelodysplastic syndrome). There was no evidence of grade ≥3 late toxicity during the long-term follow-up period; no treatment-related deaths occurred.

ACTIVE INVESTIGATOR-INITIATED COMBINATION STUDY

Phase 2 Investigator-Sponsored Trial with Tafasitamab in CLL (OSU-13031)

In an investigator-sponsored trial presented in December 2016, investigators evaluated tafasitamab in combination with LEN in three cohorts of patients with CLL: previously untreated CLL patients, r/r CLL patients and patients with Richter's Transformation. The trial also included a fourth cohort of ibrutinib-treated CLL patients with identified resistance mutations to ibrutinib in the tumors (molecular relapse) but no confirmed clinical relapse, where tafasitamab was added to ibrutinib therapy. Historical data had generally shown poor clinical outcomes in patients who relapse after treatment with the BTKi ibrutinib and whose leukemia cells carry a mutation in the BTK gene prior to relapse. According to the data presented by investigators at the time, 34 patients had been enrolled in the study, 27 receiving tafasitamab in combination with LEN (eleven of whom were in the previously untreated cohort, eleven in the r/r cohort, five in the Richter's Transformation cohort) and seven receiving tafasitamab plus ibrutinib. Ten out of 34 patients (safety cut-off May 31, 2016) (29%) experienced an aggregate of 19 SAEs across all cohorts. SAEs were most frequently reported in the System Organ Classes of metabolism and nutrition disorders (three patients (9%) experienced five SAEs); infections and infestations (three patients (9%) experienced four SAEs); respiratory, thoracic and mediastinal disorders (two patients (6%) experienced two SAEs); general disorders and administration site conditions (two patients (6%) experienced two SAEs) and investigations (two patients (6%) experienced two SAEs). By Preferred Term, the most frequently reported SAEs were dyspnea (two patients (6%) experienced two SAEs) and hypercalcaemia (one patient (3%) experienced two SAEs). All other reported SAEs were single occurrences, including clostridium difficile colitis, metapneumovirus infection, pneumocystis jirovecii pneumonia, sepsis, dehydration, fluid retention, hyponatraemia, confusional state, cholelithiasis, renal failure, death (related to progression of underlying disease), systemic inflammatory response syndrome, blood lactate dehydrogenase increase, weight decrease and infusion-related reaction.

A causal relationship to the administration of tafasitamab was suspected in two patients (6%). These two SAEs included an infusion-related reaction with symptoms of feeling warm, facial flushing, nausea, vomiting and dizziness, and one dyspnea.

The most frequent hematological adverse event over all cohorts was thrombocytopenia in 47% of patients (6% grade 3 or higher) and neutropenia in 35% (21% grade 3 or higher). There were no unexpected SAEs reported, and no patient had developed progressive disease at the time of the abstract cut-off date. All enrolled patients were evaluable per protocol. In the cohorts of patients with treatment-naive or relapsed disease, six out of ten evaluable patients achieved partial response as best response. Importantly, responses generally deepened over time in both cohorts. In addition, preliminary evidence of activity against CLL cells with BTK C481S was observed in the cohort of patients with molecular progression on ibrutinib. BTK C481S variant allele frequency decreased or at least stabilized in six out of seven patients.

In total 41 patients were enrolled as of 15 November 2018, thereof 40 received at least the first dose (1 mg/kg) of tafasitamab. All patients discontinued tafasitamab treatment as per protocol. Follow-up is ongoing.

Expanded Access Program

On February 4, 2020 we announced the initiation of an expanded access program, or EAP, in the U.S. for tafasitamab. The EAP may provide access to tafasitamab for use in certain adult patients with r/r DLBCL in combination with lenalidomide. According to the FDA, expanded access programs—sometimes called "compassionate use"—provide a pathway for a patient to receive an investigational medicine for a serious disease or condition. They are often made available when there are no comparable or satisfactory alternative therapies to treat the disease or condition; patient enrollment in clinical trials is not possible; potential patient benefit justifies the potential risk of treatment and providing the investigational medicine will not interfere with investigational trials that could support the medicine's marketing approval for the treatment indication. To qualify for the tafasitamab EAP, patients with r/r DLBCL need to meet the EAP inclusion/exclusion criteria that

are aligned with our L-MIND study. Treatment of DLBCL patients in the EAP is recommended with tafasitamab in combination with lenalidomide according to the treatment schedule in L-MIND. The EAP will be available for a limited time while the FDA reviews our BLA for tafasitamab. Requests for expanded access to tafasitamab must be made by a U.S. licensed, treating physician. The tafasitamab EAP will be administered by Clinigen Healthcare Ltd.

Completed Clinical Trials

Phase 2 Trial with Tafasitamab as Single-Agent in ALL

In 2013, we initiated a phase 2 clinical trial of tafasitamab in B cell acute lymphoblastic leukemia (B-ALL). The U.S.-based open-label, multicenter, single-arm clinical trial was designed to assess the efficacy of tafasitamab in patients suffering from r/r B-ALL. Secondary outcome measures included response duration, safety and pharmacokinetics of tafasitamab. A total of 22 patients were treated in this study, and responses to tafasitamab therapy were observed in two patients (one CR, and one CR with incomplete hematologic recovery), yielding an ORR of 9.1%. Recruitment was stopped after 22 patients had entered the treatment period.

CLL Phase 1 and Preclinical Development

In preclinical studies conducted by Xencor, tafasitamab demonstrated FcR-dependent anti-tumor activity against multiple human B cell lymphomas *in vitro* and anti-tumor effects in mouse lymphoma models. Xencor also demonstrated favorable half-life and B cell depletion in monkey models. Xencor submitted the Investigational New Drug, or IND, for tafasitamab to the FDA in February 2010.

In January 2013, Xencor completed a phase 1 clinical trial of tafasitamab in patients with high-risk, heavily-pretreated CLL. Twenty-seven patients were enrolled and were evaluable for response. Dose levels from 0.3 to 12 mg/kg were tested. The trial protocol was amended to include a period of extended dosing for a total of eight patients at the 12 mg/kg dose to study the effect of longer duration of exposure on safety and response rate. The primary endpoints for this clinical trial were safety, pharmacokinetics and immunogenicity. The secondary endpoints for this trial included clinical responses assessed according to the International Working Group on CLL (IWCLL) 2008 and 1996 Guidelines. ORR by IWCLL 2008 criteria was 29.6% (eight partial responses in 27 evaluable patients). Using IWCLL 1996 response criteria resulted in a response rate of 66.7% (18 partial responses).

MOR202

OVERVIEW

MOR202 is a recombinant human IgG1 HuCAL monoclonal antibody directed against the target molecule CD38. CD38 is a highly expressed and clinically validated target in multiple myeloma, or MM. Scientific research suggests that an anti-CD38 antibody also may have therapeutic activity in autoimmune and other diseases driven by autoantibodies, such as anti-PLA2R-positive membranous nephropathy or systemic lupus erythematosus.

We are currently conducting a phase 1/2 trial in anti-PLA2R positive membranous nephropathy, or aMN, an autoimmune disease that affects the kidney. The proof of concept trial called M-PLACE is an open-label, multicenter trial and will primarily assess the safety and tolerability of MOR202. Secondary outcome measures will be the effect of MOR202 on serum anti-PLA2R antibodies and evaluation of immunogenicity and pharmacokinetics of MOR202, while an exploratory objective is to determine the clinical efficacy. The trial will enroll hard-to-treat patients with either high anti-PLA2R titer or having failed prior treatment.

We also conducted a phase 1/2a trial in MM. Data from this study was presented at the ASH Annual Meeting in December 2018. During 2018, we announced our decision not to continue development of MOR202 in MM beyond completion of the currently ongoing trial. This is in line with previous announcements that we would not

continue to develop MOR202 in MM without having a suitable partner. However, we continue to support our partner I-Mab's development of MOR202 with the aim to gain approval in MM for the greater Chinese market as planned. I-Mab is evaluating MOR202 in a phase 2 study initiated in March 2019 as a third-line therapy for r/r multiple myeloma as well as a phase 3 study in combination with lenalidomide as a second-line therapy for r/r multiple myeloma initiated in April 2019. On October 14, 2019, we and our partner I-Mab Biopharma announced that I-Mab has received Investigational New Drug (IND) clearances from the National Medical Products Administration (NMPA) of China for MOR202. This allows the expansion of I-Mab's phase 2 and phase 3 trial with MOR202/TJ202 in r/r multiple myeloma that are currently ongoing in Taiwan into mainland China.

We have an exclusive regional licensing agreement for MOR202 with I-Mab Biopharma. Under the terms of the agreement signed in November 2017, I-Mab has the exclusive rights to develop and commercialize MOR202 in China, Taiwan, Hong Kong and Macao. Upon signing, MorphoSys received an immediate upfront payment of US$ 20 million. We are also entitled to receive additional success-based clinical and commercial milestone payments from I-Mab of up to US$ 100 million, as well as tiered double-digit royalties on net sales of MOR202 in the agreed regions.

DESCRIPTION OF ANTI-PLA2R-POSITIVE MEMBRANOUS NEPHROPATHY AND CURRENT TREATMENT

Membranous nephropathy, or MN, is a chronic inflammatory disease of the glomeruli which is characterized by subepithelial deposition of immune complexes at the glomerular basement membrane. The deposition of complexes results in a dysfunctional permeability of the capillary walls of the glomeruli, leading to proteinuria and very frequently to nephrotic syndrome. MN is the most common cause of nephrotic syndrome in non-diabetic Caucasian adults over 40 years of age. There are about 90,000 patients affected in the U.S. and EU5 (derived from Couser, CJASN, 2017). According to Couser, CJASN, 2017, MN has an estimated annual U.S. incidence of 1:100,000. The disease is very often driven by the presence of autoantibodies targeting the phospholipase A2 receptor 1 (PLA2R), specifically in patients with primary membranous nephropathy. 75%-85% of these patients are PLA2R-positive. The anti-PLA2R antibody titer is also suitable as a prognostic marker to evaluate and monitor the disease course and therapy. There is a significant correlation between the anti-PLA2R antibody titer and the disease activity and severity.

Currently, there are no approved treatments available for patients with membranous nephropathy. Treatments used include supportive care with Angiotensin-converting-enzyme inhibitors or Angiotensin-Receptor blockers, statins, diuretics, off-label used immunosuppressive therapy with cyclophosphamide, ciclosporin A and rituximab (also off-label). There remains an unmet need for effective therapy with a favorable risk-benefit profile that can support earlier initiation of immunosuppressive therapy for patients with membranous nephropathy. Thus, targeting plasma cells that produce autoantibodies with an anti-CD38 antibody might provide clinical benefit and serve as a new treatment option for this disease.

DESCRIPTION OF MULTIPLE MYELOMA AND CURRENT TREATMENT

According to the National Cancer Institute SEER database, MM has an estimated annual U.S. incidence of 30,280. MM causes cancer cells to accumulate in the bone marrow, where they displace and suppress healthy blood progenitor cell populations. MM is also characterized by destructive lytic bone lesions (rounded, punched-out areas of bone), diffuse osteoporosis, bone pain, and the production of abnormal proteins, which accumulate in the urine. Anemia is also present in most MM patients at the time of diagnosis and during follow-up. Anemia in MM is multifactorial and is secondary to bone marrow replacement by malignant plasma cells, chronic inflammation, relative erythropoietin deficiency, and vitamin deficiency.

There is currently no standard multiple myeloma treatment. A patient's individual treatment plan is based on such factors as age and general health, results of laboratory and cytogenetic (genomic) tests, symptoms and disease complications, prior myeloma treatment, patient lifestyle, goals, views on quality of life, and personal preferences. In addition, many cancer centers have developed their own guidelines for treating myeloma.

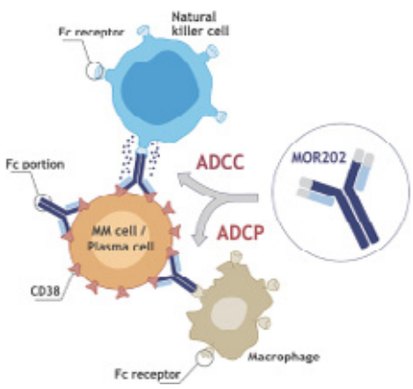
There are a number of drug classes for the treatment of multiple myeloma: monoclonal antibodies, immunomodulatory drugs (IMiDs), proteasome inhibitors, chemotherapy, histone deacetylase inhibitor, and steroids. One of the primary treatment regimens is cytoreductive chemotherapies in combination with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

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

MOR202—MECHANISM OF ACTION

MOR202 is our anti-CD38 antibody candidate, which is currently being developed in anti-PLA2R-positive aMN and by our partner I-Mab in MM. The antibody's key activities are ADCC and ADCP. It does not involve complement-dependent cytotoxicity (CDC), an additional mechanism involved in tumor cell killing. In addition, the preclinical data point to a low level of NK-cell depletion.

The figure below depicts the suggested mechanism of action of MOR202 toward either multiple myeloma cells or autoantibody-producing plasma cells:



One of the key features of MOR202 is a low frequency of infusion-related reactions, leading to an infusion time as short as 30 minutes.

DEVELOPMENT OF MOR202

We are currently investigating MOR202 in a phase 1/2 clinical in patients with aMN. The trial was initiated in October 2019 and recruitment is ongoing. Further, our partner I-Mab Biopharma is investigating MOR202 for the treatment of multiple myeloma in the Chinese region.

ACTIVE CLINICAL TRIALS

Phase 1/2 Trial with MOR202 in aMN

In October 2019, we initiated a phase 1/2 trial in anti-PLA2R positive membranous nephropathy, an autoimmune disease that affects the kidney. The proof of concept trial called M-PLACE is an open-label, multicenter trial and

will primarily assess the safety and tolerability of MOR202. Secondary outcome measures will be the effect of MOR202 on serum anti-PLA2R antibodies and evaluation of immunogenicity and pharmacokinetics of MOR202, while an exploratory objective is to determine the clinical efficacy. The trial will enroll hard-to-treat patients with either high anti-PLA2R titer or having failed prior treatment.

Phase 2 and Phase 3 Trial with MOR202/TJ202 in r/r MM

I-Mab is evaluating MOR202/TJ202 in a phase 2 study initiated in March 2019 as a third-line therapy for r/r multiple myeloma as well as a phase 3 study in combination with lenalidomide as a second-line therapy for r/r multiple myeloma initiated in April 2019. On October 14, 2019, we and our partner I-Mab Biopharma announced that I-Mab has received Investigational New Drug (IND) clearances from the National Medical Products Administration (NMPA) of China for MOR202/TJ202. This allows the expansion of I-Mab's phase 2 and phase 3 trial with MOR202/TJ202 in r/r multiple myeloma that are currently ongoing in Taiwan into mainland China.

Phase 1/2 Trial with MOR202 in r/r MM

A phase 1/2a trial in patients with r/r MM is currently ongoing. The dose-escalation trial comprises three arms: MOR202, MOR202 in combination with the immunomodulatory drug (IMiD) lenalidomide (LEN), and MOR202 in combination with the IMiD pomalidomide (POM), in each case with low-dose dexamethasone (DEX). Enrollment in the study completed in August 2017 and primary completion analysis was performed at a data cut-off at December 31, 2017, a primary completion clinical study report was compiled and issued in August 2018. The primary endpoints of the trial are safety, tolerability and recommended dose for MOR202 alone and in combination with immunomodulatory drugs. Secondary outcome measures are pharmacokinetics and preliminary efficacy based on ORR, duration of response, TTP, and PFS. In the trial, MOR202 was administered as a two-hour or shorter infusion up to the highest planned dose of 16 mg/kg. The latest data were presented at the ASH Annual Meeting in December 2018.

PRECLINICAL DEVELOPMENT

In vitro binding studies showed that the binding affinity of MOR202 to CD38 is in the low nanomolar range. The *in vivo* efficacy of MOR202 was demonstrated in MM and lymphoma xenograft models in severe combined immunodeficient (SCID) mice. MOR202 reduced tumor growth, increased survival and decreased bone lysis induced by MM cells inoculated into the tibiae of SCID mice. *In vitro* combination studies of MOR202 with LEN enhanced cytotoxicity on MM cell lines. *In vivo*, the combination of MOR202 with LEN showed synergistic effects on survival and inhibition of MM cell-induced bone lysis.

MOR106

OVERVIEW

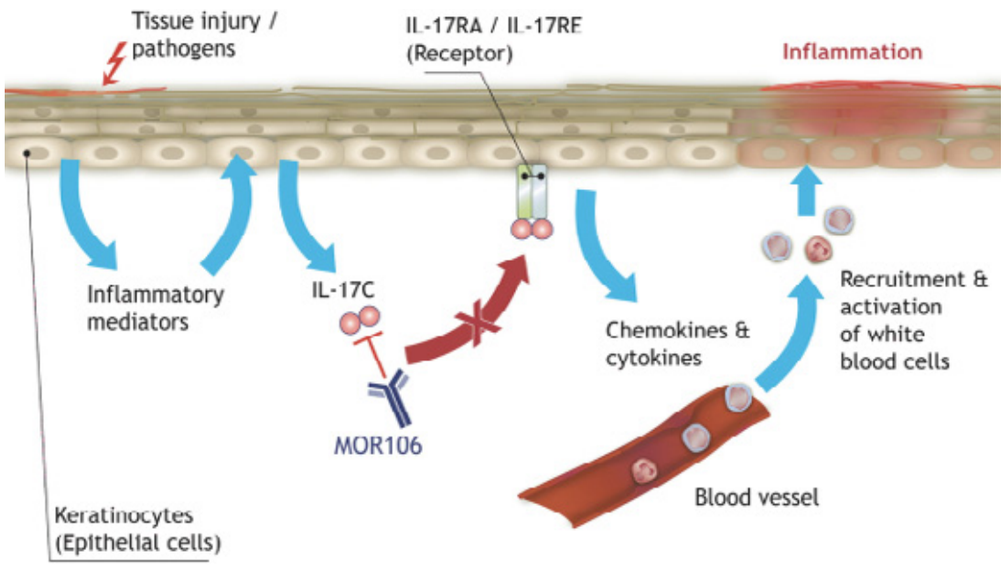
MOR106 is an investigational fully human IgG1 monoclonal antibody derived from our Ylanthia library and designed to selectively target IL-17C. MOR106 came from the strategic discovery and co-development alliance between Galapagos and MorphoSys, in which both companies contributed their core technologies and expertise. It is the first publicly disclosed monoclonal antibody targeting IL-17C in clinical development worldwide. In preclinical studies, MOR106 has been shown to inhibit the binding of IL-17C to its receptor thus abolishing its biological activity. Results from rodent inflammatory skin models of atopic dermatitis (AtD) and psoriasis support clinical development of MOR106 for the treatment of inflammatory diseases. In 2018, Galapagos and MorphoSys entered into an exclusive worldwide development and commercialization collaboration with Novartis with respect to MOR106. In October 2019, the three parties jointly announced the end of the clinical development program of MOR106 in AtD and are now exploring the future strategy with MOR106.

MOR106 MECHANISM OF ACTION

To our knowledge, MOR106 is the first antibody in clinical development worldwide targeting the IL-17C antigen. The cytokine IL-17C represents a novel target, which is up-regulated in inflammatory skin disorders

such as psoriasis and AD. Based on findings from preclinical animal models, IL-17C is expected to play an important pro-inflammatory role in such skin disorders. Importantly, IL-17C has been shown to be clearly distinct from other members of the IL-17 cytokine family, not only its protein sequence, but also with regards to its site of origin, its biological function, and its signaling pathway.

In inflammatory skin disorders, IL-17C has been identified as an important pro-inflammatory mediator. IL-17C is the only known IL-17 family member primarily expressed by epithelial cells, such as skin keratinocytes. IL-17C binds to its receptor consisting of the subunits IL-17-RA and IL-17-RE. Intracellular signaling occurs via the unique IL-17-RE receptor chain, which is not targeted by any other IL-17 family member. Binding of IL-17C to its receptor is assumed to trigger an inflammatory cascade that plays a promoting role in skin diseases. MOR106 is designed to block this interaction by specifically binding to the cytokine, thereby neutralizing IL-17C's biological activity. The figure below depicts the suggested mechanism of action of MOR106:



DEVELOPMENT OF MOR106

The clinical development program of MOR106 in atopic dermatitis (AtD) included two phase 2 studies IGUANA and GECKO, as well as a phase 1 bridging study for subcutaneous formulation and a Japanese ethno-bridging study. In October 2019, we, Galapagos NV and Novartis Pharma AG announced the end of the clinical development program of MOR106 in AtD. The joint decision of all three involved parties was based on an interim analysis for futility that was performed in the phase 2 IGUANA trial. The analysis detected a low probability to meet the primary endpoint of the study, defined as the percentage change in the eczema area and severity index (EASI) score. The decision was based on a lack of efficacy and not on safety concerns.

All studies in atopic dermatitis were ended. The parties now explore the future strategy with MOR106.

CLINICAL TRIALS

We reported results from a phase 1 study in September 2017, with more detailed results presented in February 2018, investigating the safety, tolerability and pharmacokinetic profile of MOR106 when administered intravenously, or IV, in single ascending doses in healthy volunteers as well as in multiple ascending doses in

patients suffering from AtD. The primary objective of the phase 1 study was to evaluate the safety and tolerability of MOR106. The study's secondary objective was to characterize the pharmacokinetic profile of MOR106 in healthy volunteers as well as AtD patients. Exploratory objectives included the measurement of early signs of efficacy. In the single ascending dose part of the study, 56 healthy volunteers received an infusion (MOR106 (n=42); placebo (n=14)), followed by a 7-week follow-up period. In the multiple ascending dose part of the study, 25 patients diagnosed with moderate-to-severe AtD (MOR106 (n=18); placebo (n=7)), received four infusions, once a week for four weeks, followed by a 10-week follow-up period. Patients received either placebo or MOR106 in a one-to-three ratio of placebo and three different dose levels of MOR106, 1, 4, and 10 mg/kg body weight.

Additionally, the drug candidate has been investigated as an intravenous formulation in a phase 2 study named IGUANA in patients with moderately severe-to-severe AtD, which started in May 2018. A phase 1 bridging study with a subcutaneous formulation of MOR106 was initiated in September 2018. In this study, MOR106 was first administered subcutaneously or intravenously to healthy volunteers. Patients with moderate-to-severe AtD were then be treated with several subcutaneously administered doses of MOR106. On April 23, 2019, a phase 2 study called GECKO was initiated in AtD, investigating a subcutaneous formulation of MOR106 in combination with topical corticosteroids. Patient recruiting will is taking place in the U.S. and Canada, and the study was intended to serve as an Investigational New Drug (IND) opener with the U.S. FDA. In August 2019, a phase 1/2 trial was initiated in Japan to evaluate the safety, tolerability and pharmacokinetics of subcutaneously administered MOR106 in Japanese patients with AtD. The study, called Angelfish, was intended as a Japanese ethno-bridging study.

PRECLINICAL DEVELOPMENT

In vitro, MOR106 inhibits the binding of human IL-17C to its specific receptor subunit IL-17-RE and inhibits the biological activity of IL-17C as determined in an NF-kB reporter gene assay in mouse NIH3T3 cells and in a more physiological assay using primary human keratinocytes endogenously expressing IL-17-RE/RA. In these functional assays, MOR106 inhibits the activity of the cynomolgus monkey and the mouse IL-17C with similar potencies as human IL-17C (Vandeghinste *et al*., 2018).

MOR106 prevented the occurrence of an AtD-like skin inflammation in the MC903 (calcipotriol-induced) mouse model, with a significant impact on epidermal and dermal thickening, inflammation and type 2 T helper cell (Th2)-like gene expression. A therapeutic effect of MOR106 administration was also shown in the flaky tail mutant mouse, which exhibits a defective skin barrier function and spontaneously develops atopy evolving into a progressive overt AtD-like dermatitis, reproducing cardinal features of AtD in man. Beyond models of AtD, MOR106 also displayed a protective effect in the IL-23-induced psoriasis-like skin inflammation mouse model with a significant impact on ear thickness, epidermal thickening and IL-23-induced gene expression (Vandeghinste *et al*., 2018).

For the non-clinical safety assessment of MOR106, mice and cynomolgus monkeys were identified as pharmacologically relevant animal species. The results of the *in vivo* toxicity studies demonstrated that MOR106 was well tolerated in the mouse and cynomolgus monkey up to the highest dose tested.

Otilimab

OVERVIEW

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

We were responsible for a phase 1b/2a clinical trial of otilimab in rheumatoid arthritis (RA), which was completed in June 2012, and in multiple sclerosis (MS), which was completed in February 2014. GSK is solely responsible, at its own cost, for all other development and commercialization activities. GSK is currently evaluating this antibody for the treatment of RA. GSK conducted a phase 2b study in patients with RA and a phase 2a study in patients with inflammatory hand OA. The corresponding study data were presented at the American College of Rheumatology (ACR) Annual Meeting in October 2018. Shortly thereafter GSK has announced that it does not intend to pursue further development in hand OA. In July 2019, GSK announced the start of a phase 3 clinical development program with otilimab in rheumatoid arthritis. The phase 3 program named "ContRAst" includes three pivotal studies and one long-term extension trial and will investigate the antibody in patients with moderate-to-severe RA. In connection with the notification, GSK also announced that the antibody had been assigned the INN name otilimab.

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

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

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

RHEUMATOID ARTHRITIS

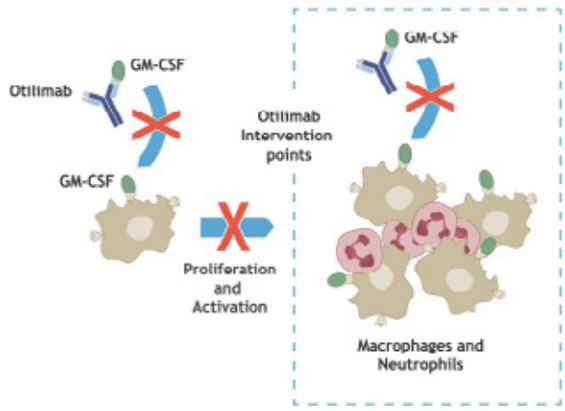
RA is a disabling and painful inflammatory condition that can lead to substantial loss of mobility. The disease affects approximately four to six million people worldwide. In patients with RA, white blood cells move from the bloodstream into the synovium, where they cause inflammation.

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

OTILIMAB FOR TREATMENT OF ANTI-INFLAMMATORY DISEASES

OTILIMAB—MECHANISM OF ACTION

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



DEVELOPMENT OF OTILIMAB

Otilimab has been investigated in various clinical trials addressing RA, OA and MS. Phase 1/2 trials conducted by MorphoSys in RA and MS were completed in 2012 and 2014, respectively. GSK has investigated otilimab for the treatment of RA and OA in phase 2 studies.

In July 2019, GSK announced the start of a phase 3 program with otilimab in rheumatoid arthritis. The phase 3 program named “ContRAst” includes three pivotal studies and one long-term extension trial and will investigate the antibody in patients with moderate-to-severe RA.

Phase 3 Clinical Program in RA

In July 2019, GSK announced the start of the phase 3 ContRAst program in moderate-to-severe RA. The program includes three pivotal studies and a long-term extension study and it compares otilimab against approved drugs—a JAK inhibitor and an anti-IL6 antibody. GSK plans to enroll 3500-4100 patients. According to clinicaltrials.gov, first data-readout is expected in H2 2022.

Phase 2b Clinical Trial in RA

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

Phase 2a Clinical Trial in Hand OA

In April 2016, GSK initiated a phase 2a clinical study to investigate the effectiveness and safety of otilimab in patients with inflammatory hand OA. The goal of the European multicenter double-blind, placebo-controlled

study was to investigate the efficacy and safety of subcutaneous injections of otilimab in adult subjects with inflammatory hand OA. The main objective of the study was to assess the efficacy potential of otilimab on pain in inflammatory hand OA. Secondary objectives included safety and pharmacokinetics. Study data were presented at the 2018 American College of Rheumatology (ACR) Annual Meeting in October 2018. GSK has announced that it does not intend to pursue further development in hand OA.

Phase 1b/2a Clinical Trial in RA

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

Data were presented at the 2012 ACR/ARHP Annual Meeting which took place on November 9-14, 2012 in Washington, DC.

The best response was achieved in the 1.0 mg/kg dose cohort with an ACR20 score of 68% at week four, which was significantly higher than in the control arm. Of particular importance was the fast onset of action observed: within two weeks, up to 40% of patients achieved an ACR20 score. Improvement of DAS28 scores was rapid and significant over the treatment period of the study. ACR20/50 scores at week four are depicted in the table below.

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

Phase 1b Clinical Trial in MS

In February 2014, we concluded a phase 1b clinical trial of otilimab in patients with relapsing-remitting MS or secondary progressive MS with relapses. In this 20-week, double-blind, placebo-controlled, phase 1b dose-escalation study, patients received an intravenous infusion of placebo or 0.5 mg/kg, 1 mg/kg or 2 mg/kg otilimab every two weeks for ten weeks. Thirty-one patients received treatment. The primary endpoint was safety assessed by adverse events, physical examinations, vital signs, clinical laboratory data, electrocardiograms, pulmonary function tests, and MS relapses.

A total of 184 treatment-associated adverse events were reported in 31 (96.8%) patients, with no overall indication of increased adverse event frequencies in the otilimab groups compared with placebo. The most common adverse events in all groups were nasopharyngitis, headache, and MS exacerbation. No cases of infusion-related reaction were reported. Eleven MS exacerbation events occurred in nine patients. MS exacerbation occurred in three (50.0%), five (62.5%), one (12.5%), and zero (0%) patients in the placebo, otilimab 0.5, 1.0, and 2.0 mg/kg groups, respectively. Events occurred in both the treatment and follow-up periods in the placebo and otilimab 0.5 mg/kg groups and during follow-up in the otilimab 1.0 mg/kg group. All events either resolved/recovered or were resolving/recovering at the end of the follow-up period; recovery with sequelae was reported for three exacerbations.

A total of 71 adverse events considered to be possibly, probably, or definitely related to treatment, were reported in 18 (58.1%) patients. Adverse events were generally of mild or moderate intensity. There were two severe adverse events (urinary tract infection, placebo group; decreased vibratory sense in right lower limb, otilimab 2.0 mg/kg group) both of which were considered unlikely to be related to treatment. No adverse events led to death or trial discontinuation.

MOR107

OVERVIEW

MOR107 is a lanthipeptide based on our proprietary technology platform and a selective agonist of the angiotensin II receptor type 2, or AT_2R. Lanthipeptides are a novel class of therapeutics with potential high target molecule selectivity and high *in vivo* stability. Lanthipeptides can be designed to have agonistic or antagonistic activity. After we had successfully completed a first-in-human phase 1 study in healthy volunteers in 2017, we continued our preclinical investigations with MOR107 during 2018 and 2019, focusing on oncology indications.

DEVELOPMENT OF MOR107

CLINICAL TRIALS

In February 2017, we initiated a first-in-human phase 1 study of MOR107 in healthy male volunteers. Twenty-four participants were dosed. The study was conducted by Quotient Clinical (now Quotient Sciences) at their phase 1 unit in Nottingham, United Kingdom. The primary endpoint of the single-center randomized, double-blind, placebo-controlled study was to assess safety and tolerability of subcutaneously administered single ascending doses of MOR107 in healthy male volunteers. The secondary endpoint of the study was to assess the pharmacokinetics of subcutaneously administered single ascending doses of MOR107.

MOR107 is formulated as a solution that is administered by subcutaneous injection. In May 2017, the first part of the clinical study in healthy volunteers was completed. The trial included three dose cohorts of MOR107. MOR107 was well tolerated following single doses of 0.001, 0.01 and 0.1 mg. Following single subcutaneous administration, MOR107 demonstrated a rapid absorption from the subcutaneous injection site and exposure increased in an apparent dose-proportional manner. There were no deaths or SAEs, and no subject was withdrawn from the safety follow-up as a result of an AE. The incidence of AEs was low. For each MOR107 dose group, one AE was reported by one participant (16.7%). All AEs were classed as mild in severity. No laboratory test result, vital sign measurement, ECG measurement, physical examination or injection site assessment was considered clinically significant.

PRECLINICAL DEVELOPMENT

In preclinical studies, MOR107 has demonstrated AT_2R-dependent activity.

Three *in vivo* and one *in vitro* safety pharmacology studies that investigated potential physiological effects of MOR107 on the central nervous system, respiratory and cardiovascular systems did not reveal any detrimental effects over the dose range tested. Dose-ranging toxicology studies using both the intravenous and subcutaneous routes in rat and dog were carried out but no maximum tolerated dose has yet been identified. Based on initial anti-tumor data, MOR107 is currently in preclinical investigation with a focus on oncology indications.

ADDITIONAL PRECLINICAL PROJECTS

MOR210

OVERVIEW

MOR210 is a human antibody directed against C5aR derived from our HuCAL technology. C5aR, the receptor of the complement factor C5a, is being investigated as a potential new drug target in the field of immuno-oncology

and autoimmune diseases. Tumors have been shown to produce high amounts of C5a which, by recruiting and activating myeloid-derived suppressor cells (MDSCs), is assumed to contribute to an immune-suppressive pro-tumorigenic microenvironment. MOR210 is intended to block the interaction between C5a and its receptor, thereby being expected to neutralize the immune-suppressive function of the MDSCs and to enable immune cells to attack the tumor. MOR210 is currently in preclinical development.

Regional agreement with I-Mab Biopharma

In November 2018, we announced that we had entered into an exclusive strategic collaboration and regional licensing agreement for MOR210 with I-Mab Biopharma. Under the agreement, I-Mab has exclusive rights to develop and commercialize MOR210 in China, Hong Kong, Macao, Taiwan and South Korea, while we retain rights in the rest of the world. The agreement deepens our existing partnership with I-Mab, building upon the ongoing collaboration for MOR202.

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

We received an upfront payment of US$ 3.5 million from I-Mab and are eligible to receive development and commercial milestone payments of up to US$ 101.5 million, as well as tiered, mid-single-digit royalties on net sales of MOR210 in I-Mab's territories. In return for the execution of a successful clinical PoC study, I-Mab is eligible to receive low-single-digit royalties on net sales generated with MOR210 outside its territories and a tiered percentage of sub-licensing revenue.

QPCTL INHIBITORS (VIVORYON)

OVERVIEW

The QPCTL inhibitors are small molecule inhibitors of the glutaminyl-peptide cyclotransferase-like enzyme, which was shown to be a modulator of the CD47-SIRP alpha interaction, also known as the "don't eat me" signal. This signaling pathway enables cancer cells to evade the body's innate immune system by inhibition of the phagocytic activity of macrophages. Thus, the use of QPCTL inhibitors to silence the "don't eat me" signal provided by the CD47-SIRP alpha interaction may be an attractive approach in immune-oncology. We are currently investigating the QPCTL inhibitors preclinically including an assessment of the potential benefits of combining them with our proprietary program tafasitamab.

Agreement with Vivoryon Therapeutics AG

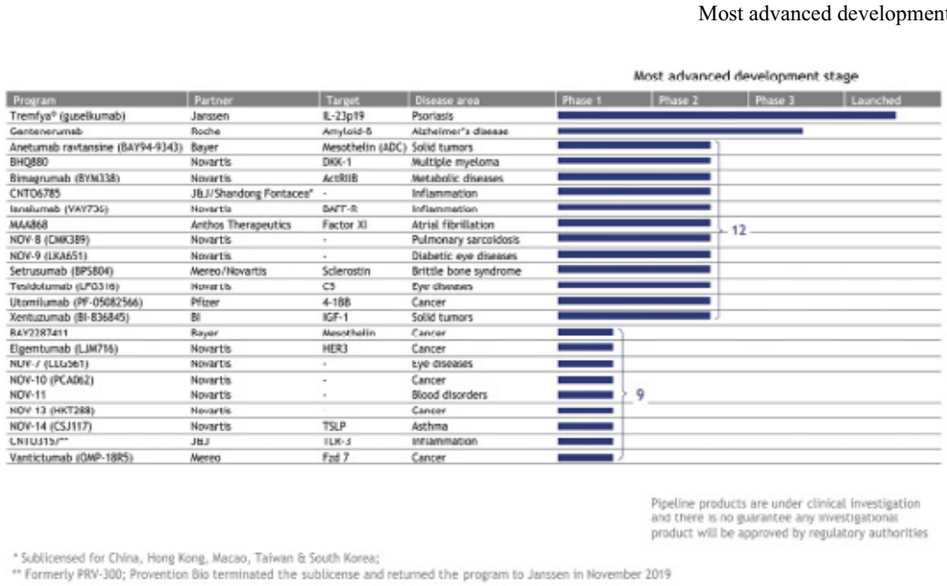
In July 2019, we and Vivoryon Therapeutics AG announced that we have entered into an agreement under the terms of which we have obtained an exclusive option to license Vivoryon's small molecule QPCTL inhibitors in the field of oncology. The option covers worldwide development and commercialization for cancer of Vivoryon's family of inhibitors of the glutaminyl-peptide cyclotransferase-like (QPCTL) enzyme, including its lead compound PQ912.

In exchange, we have committed to invest in a minority stake in Vivoryon in the capital raise which was performed on October 24, 2019 by issuing a total of 7,674,106 ordinary bearer shares. The capital raise was recorded in the Commercial Register on October 25, 2019. By the subscription of 2,673,796 ordinary bearer shares in the amount of € 15 million, we acquired a 13.4% share in Vivoryon Therapeutics AG.

PARTNERED DISCOVERY PROGRAMS

In our Partnered Discovery programs, we apply technologies for the research, development and optimization of therapeutic antibodies as product candidates in partnership with pharmaceutical and biotechnology companies.

The table below sets forth the clinical pipeline for our Partnered Discovery programs. In addition, we have 56 partnered product candidates that are in the discovery phase and 24 partnered product candidates that are in preclinical development.



PARTNERED DISCOVERY PROGRAMS IN LATE CLINICAL DEVELOPMENT, I.E. PHASE 3

Guselkumab (Tremfya®)

OVERVIEW

Guselkumab (Tremfya®) is a human HuCAL antibody targeting IL-23 that is being developed and commercialized by Janssen. It is the first commercial product based on our proprietary technology. It is approved in the United States, Canada, the European Union, and several other countries for the treatment of moderate-to-severe plaque psoriasis and in Japan for the treatment of various forms of psoriasis, psoriatic arthritis, and palmoplantar pustulosis. IL-23 is a pro-inflammatory protein, which has been identified as a cytokine in autoimmune diseases and is found in the skin of patients with psoriasis and other inflammatory diseases. The antibody binds to the so-called p19 subunit unique to IL-23. Antibodies that bind to IL-23's p40 subunit will also neutralize IL-12 and are therefore less specific. Guselkumab (Tremfya®) is the first approved antibody binding the p19 subunit of IL-23.

In July 2017, Janssen announced it had received U.S. market approval from the FDA for guselkumab (Tremfya®) for the treatment of adult patients suffering from moderate-to-severe plaque psoriasis. We received a milestone payment from Janssen related to the approval. In November 2017, the EU Commission granted European approval of guselkumab (Tremfya®) for the treatment of patients with moderate-to-severe plaque psoriasis. Also in November 2017, Janssen announced that it had received Health Canada approval in Canada for guselkumab (Tremfya®) for the treatment of adult patients suffering from moderate-to-severe plaque psoriasis. Janssen reported several other marketing approvals in various countries during 2018 and approval in China for the treatment of moderate-to-severe plaque psoriasis by the end of 2019. Moreover, Janssen submitted a BLA to the U.S. FDA as well as a MAA to the EMA for Tremfya® for the treatment of psoriatic arthritis during 2019.

In addition to plaque psoriasis, erythrodermic and pustular psoriasis, palmoplantar pustulosis and psoriatic arthritis, guselkumab (Tremfya®) is currently in development for the treatment of pediatric psoriasis, palmoplantar-non-pustular psoriasis, pityriasis rubra pilaris, Crohn's disease, hidradenitis suppurativa, ulcerative colitis and familial adenomatous polyposis.

MorphoSys is eligible for certain milestone payments and receives royalties on net sales of guselkumab (Tremfya®).

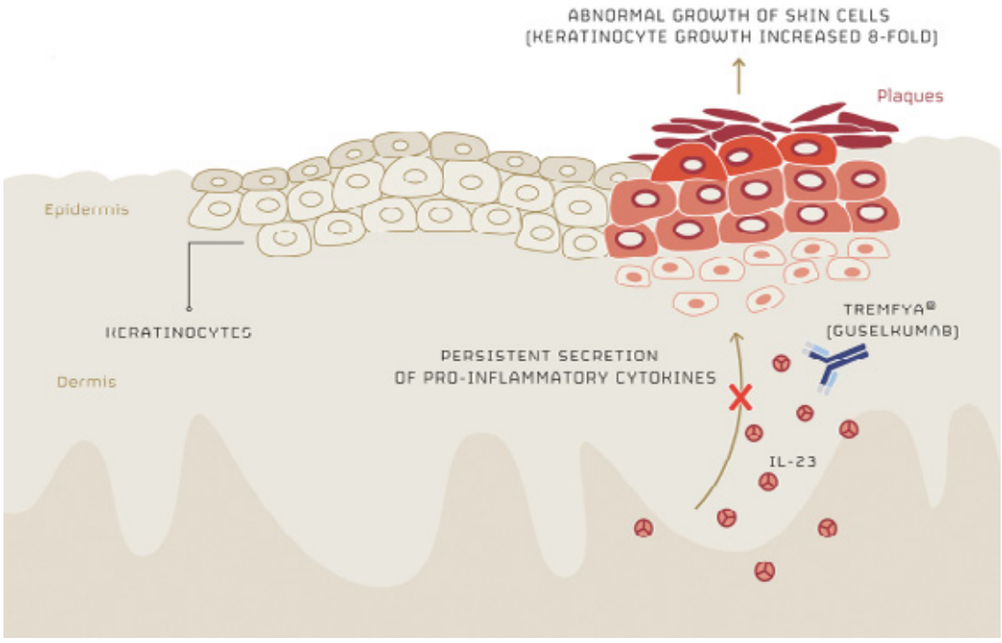
TREATMENT OF PSORIASIS AND PSORIATIC ARTHRITIS

Psoriasis is an inflammatory autoimmune disease of the skin. The associated inflamed skin patches may vary in severity from small and localized to complete body coverage. There are five main types of psoriasis: plaque, guttate, inverse, pustular, and erythrodermic. Plaque psoriasis, also known as psoriasis vulgaris, makes up about 90% of cases. It typically presents with red, itchy and scaly patches with white scales on top (plaques). Psoriasis is usually chronic and has high morbidity and a negative impact on patients' quality of life. It is estimated that more than 8 million Americans live with the disease. Approximately 70% of those affected with psoriasis have mild disease, while 30% have moderate-to-severe plaque psoriasis.

Psoriatic arthritis is a chronic immune-mediated inflammatory disease characterized by both joint inflammation and the skin lesions associated with psoriasis. It is estimated that one-third of the 125 million people living with psoriasis worldwide will also develop psoriatic arthritis. The disease causes pain, stiffness and swelling in and around the joints and commonly appears between the ages of 30 and 50 but can develop at any time. While the exact cause of psoriatic arthritis is unknown, genes, the immune system and environmental factors are all believed to play a role in the onset of the disease.

GUSELKUMAB (TREMFYA®) MECHANISM OF ACTION

Guselkumab (Tremfya®) is a fully human monoclonal antibody directed against the p19 subunit of interleukin (IL)-23. IL-23 is a pro-inflammatory protein, which has been identified as a cytokine in autoimmune diseases and IL-23 levels are elevated in the skin of patients with psoriasis and in other inflammatory diseases. By binding to IL-23, the antibody prevents the cytokine from binding to its receptor, thereby silencing ongoing autoimmune responses. The figure below illustrates the suggested mechanism of action of guselkumab (Tremfya®):



CLINICAL DEVELOPMENT OF GUSELKUMAB (TREMFYA®)

OVERVIEW

To date, guselkumab (Tremfya®) has been tested in a total of 41 clinical trials—37 of which are or have been conducted by Janssen or its predecessor Centocor—whereof 19 have already been completed and 22 are still ongoing (including two trials which have been announced already, but are not yet recruiting and one trial which has been suspended for an amendment of the protocol, but is planned to resume). Several completed studies were phase 1 studies in healthy volunteers to assess the safety and pharmacokinetics of the antibody.

The majority of the studies were initiated in patients with psoriasis (with a focus on moderate-to-severe plaque-type psoriasis). Several of these studies have been completed, amongst others three phase 1 trials analyzing either guselkumab (Tremfya®) alone or in combination with P450 enzyme substrates, and one phase 2 trial. In late stage clinical development for psoriasis, guselkumab (Tremfya®) has been tested in various phase 3 studies either evaluating guselkumab (Tremfya®) versus a placebo and/or an active comparator drug: VOYAGE-1 and VOYAGE-2 compared guselkumab (Tremfya®) to adalimumab (Humira®); NAVIGATE compared guselkumab (Tremfya®) to ustekinumab (Stelara®) and ECLIPSE was a head-to-head comparison trial to secukinumab (Cosentyx®). POLARIS, a phase 3 trial, has been completed in February 2019 and compared guselkumab (Tremfya®) to fumaric acid esters. Three phase 3 studies (G-PLUS, GUIDE and PROTOSTAR) are currently still recruiting patients.

Two phase 3 trials investigating guselkumab (Tremfya®) versus placebo in pustular psoriasis or erythrodermic psoriasis and palmoplantar pustulosis as well as a phase 2 trial in palmoplantar pustulosis have been completed, respectively.

In addition, Janssen has conducted several trials in psoriatic arthritis. One phase 2 trial and a phase 3 trial have been completed. Two phase 3 trials are currently active, but no longer recruiting patients, one of which was initiated in March 2019.

Further, Janssen initiated several trials in various other indications—a pivotal phase 2/3 clinical program in patients with Crohn's disease (GALAXI) and a phase 2 trial in hidradenitis suppurativa (NOVA). During 2019, a further phase 2 study in hidradenitis suppurativa (HiGUS, not yet recruiting), a phase 2a trial (VEGA), and a phase 2/3 study (QUASAR), both in ulcerative colitis, a phase 2 trial in pityriasis rubra pilaris and a phase 1b trial in familial adenomatous polyposis were added to the clinical development portfolio of guselkumab (Tremfya®).

CLINICAL DEVELOPMENT OF GUSELKUMAB (TREMFYA®) IN PSORIASIS

In October 2016, Janssen reported results from its phase 3 clinical VOYAGE-1 trial in 837 patients with moderate-to-severe plaque psoriasis. In the study, the efficacy and safety of guselkumab (Tremfya®) were compared with placebo and with adalimumab (Humira®). The data presented by Janssen showed that guselkumab (Tremfya®) exhibited significantly better efficacy than placebo and superiority over adalimumab (Humira®). According to Janssen, the study met both the primary endpoints and all major secondary endpoints. For the primary endpoints, it was assessed whether signs and symptoms of psoriasis were improved, while delivering clear or almost clear skin (investigator global assessment score, or IGA, 0 or 1 and Psoriasis Area Severity Index, or PASI, 90) at week 16, in patients receiving guselkumab (Tremfya®) compared to those receiving placebo. An IGA of 0 or 1 means a patient has either achieved completely clear skin (IGA 0) or almost completely clear skin (IGA 1). PASI 90 means that 90% of the psoriatic lesions have disappeared. For the secondary endpoints it was assessed in what percentage of patients the signs and symptoms of psoriasis were improved under treatment with guselkumab (Tremfya®) compared to patients receiving adalimumab (Humira®).

Long-term data from this trial were presented during 2018 and in October 2019, Janssen presented four-year data at the 39th Fall Clinical Dermatology Conference in Las Vegas, Nevada. These data showed that 82 percent of patients receiving Tremfya® (guselkumab) in the combined group of patients initially randomized to Tremfya® or to placebo with crossover to Tremfya® at week 16 achieved at least a 90 percent improvement in the Psoriasis Area Severity Index (PASI 90) response and an Investigator's Global Assessment (IGA) score of cleared (0) or minimal disease (1) at week 204 (4 years). Additional results from the open-label extension of the VOYAGE 1 Phase 3 clinical study showed that PASI 100, IGA 0/1, and IGA 0 clear skin responses were consistent at week 52 and week 204 in the combined group of patients initially randomized to Tremfya® or to placebo with crossover to Tremfya® at week 16. Proportions of patients with Psoriasis Symptoms and Signs Diary (PSSD) symptom scores of 0 (no symptoms of psoriasis) were consistent at week 76 and week 204. No new safety signals were identified.

In March 2017, Janssen presented results from two other phase 3 studies, VOYAGE-2 and NAVIGATE, in patients with moderate-to-severe plaque psoriasis. Both studies met all primary endpoints, according to the abstracts submitted by Janssen to the American Academy of Dermatology 2017 meeting. According to Janssen, data from the VOYAGE-2 study showed that patients treated with guselkumab (Tremfya®) experienced significant improvements in skin clearance and other measures of disease activity compared with placebo, and significantly greater improvements compared with adalimumab (Humira®). Data from Janssen's NAVIGATE study showed that patients who had an inadequate response following treatment with the IL-12/23 monoclonal antibody ustekinumab (STELARA®) and who then switched to guselkumab (Tremfya®), showed significantly greater improvements in skin clearance compared with patients who continued to receive ustekinumab (STELARA®). Long-term data from the VOYAGE-2 study were presented during 2018 at the European Academy of Dermatology and Venereology (EADV) 2018 Congress in Paris, France. In May 2017, Janssen announced plans for new phase 3 clinical studies with guselkumab (Tremfya®), which include a phase 3 study to evaluate the comparative efficacy of guselkumab (Tremfya®) versus secukinumab (Cosentyx®) for the treatment of moderate-to-severe plaque psoriasis (ECLIPSE study). Janssen initiated the ECLIPSE study in the first half of 2017 and announced results from the study in December 2018 that demonstrated that Tremfya® (guselkumab) was superior to Cosentyx® (secukinumab) in treating adults with moderate-to-severe plaque psoriasis for the primary endpoint of a PASI 90 response at week 48. The data from the multicenter, randomized, double-blind, head-to-head phase 3 study ECLIPSE demonstrated that 84.5 percent of patients treated with Tremfya® achieved at least 90 percent improvement in their baseline Psoriasis Area Severity Index (PASI) score at week 48, compared with 70.0 percent of patients treated with Cosentyx® ($p<0.001$). The data were presented at the 3rd Inflammatory Skin Disease Summit in Vienna, Austria.

At the end of February 2019, Janssen announced that it had received U.S. FDA approval for Tremfya® One-Press, a single-dose, patient-controlled injector for adults with moderate-to-severe plaque psoriasis. This is a device that allows patients to administer the drug subcutaneously by themselves and is thus intended to provide a higher convenience to psoriasis patients with respect to the treatment of their chronic disease.

Various other phase 2 and phase 3 studies with Tremfya® in patients with plaque psoriasis or other forms of psoriasis have been conducted or are still ongoing.

CLINICAL DEVELOPMENT OF GUSELKUMAB (TREMFYA®) IN PSORIATIC ARTHRITIS, HIDRADENITIS SUPPURATIVA, CROHN'S DISEASE, ULCERATIVE COLITIS, FAMILIAL ADENOMATOUS POLYPOSIS AND PITYRIASIS RUBRA PILARIS

In November 2016, Janssen presented positive results from a phase 2a clinical study evaluating guselkumab (Tremfya®) in patients with psoriatic arthritis. The data published by Janssen showed that a substantially higher percentage of patients receiving guselkumab (Tremfya®) achieved at least a 20% improvement in signs and symptoms of the disease (ACR 20) at week 24, the study's primary endpoint, compared to patients receiving placebo. In September 2017, Janssen initiated two phase 3 studies evaluating the efficacy and safety of guselkumab (Tremfya®) in psoriatic arthritis. Janssen made a milestone payment to us in connection with the initiation of these phase 3 studies.

In September 2019, Janssen submitted a sBLA for Tremfya® to the FDA seeking approval of guselkumab (Tremfya®) for the treatment of adult patients with active psoriatic arthritis (PsA). The sBLA is based on results from the phase 3 studies DISCOVER-1 and DISCOVER-2, which met their primary endpoints of patients achieving an American College of Rheumatology 20 percent improvement (ACR20) response after 24 weeks of treatment. According to Janssen, the safety profile observed for Tremfya® in the DISCOVER studies was generally consistent with previous studies as well as the current Tremfya® prescribing information. The data were also the basis for a type II variation application to the EMA that was submitted by end of October 2019.

In July 2018, we announced that Janssen had initiated a phase 2/3 program in Crohn's disease, and in November 2018, Janssen started a phase 2 study in hidradenitis suppurativa (HS). Moreover, according to the website clinicaltrials.gov, Janssen plans to start another phase 2 study in HS, which is already listed but not recruiting yet.

In January 2019, we announced that Janssen has started a proof of concept phase 2a clinical trial in patients with moderately to severely active ulcerative colitis (UC), a chronic inflammatory bowel disease. This randomized, double-blind study will evaluate the efficacy and safety of guselkumab in combination with golimumab compared to guselkumab or golimumab monotherapy in approximately 210 patients with moderately to severely active UC. According to the website clinicaltrials.gov, Janssen has furthermore initiated a phase 2b/3 study in UC in September 2019. The study is currently suspended due to an amendment of the protocol, but is planned to resume.

Also in April 2019, Janssen initiated the phase 1 clinical development of Tremfya® in familial adenomatous polyposis (FAP), a dominantly inherited disorder characterized by the early onset of polyps throughout the colon, which may develop into colon cancer, if not treated. With the start of the clinical development in FAP, we received a milestone payment from Janssen.

In addition to the aforementioned studies, a phase 2 study assessing guselkumab in pityriasis rubra pilaris was initiated by the Oregon Health and Science University in October 2019 to determine safety and efficacy in this indication.

COMMERCIALIZATION OF GUSELKUMAB (TREMFYA®)

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

Guselkumab (Tremfya®) has been available to patients with plaque psoriasis in the U.S. since the end of July 2017, and we received our first royalty payment soon thereafter. Following approvals in Canada and the EU, guselkumab (Tremfya®) has also been made available to patients in Canada and in the EU. Meanwhile, Tremfya® has been approved in several countries for the treatment of plaque psoriasis and in Japan also for various forms of psoriasis, psoriatic arthritis, and palmoplantar pustulosis. We received milestone payments from Janssen together with the FDA approval in July 2017 as well with Janssen's filing for U.S. approval announced in November 2016. We also received milestone payments from Janssen in connection with the clinical development of guselkumab (Tremfya®) in additional indications.

Gantenerumab

Gantenerumab is a HuCAL antibody directed against amyloid beta (Aß) that is being developed by Roche for the treatment of Alzheimer's disease. Aß denotes a group of peptides that are crucially involved in Alzheimer's disease as the main component of the amyloid plaques found in the brains of Alzheimer's patients. In phase 1 clinical trials, gantenerumab has been shown to reduce brain amyloid in mild-to-moderate Alzheimer's disease patients. Gantenerumab is being investigated in several clinical studies to see if there is a positive effect from intervening at an early-stage in the disease's progression. There are currently no drugs available that fundamentally improve the course of Alzheimer's disease.

TREATMENT OF ALZHEIMER'S DISEASE

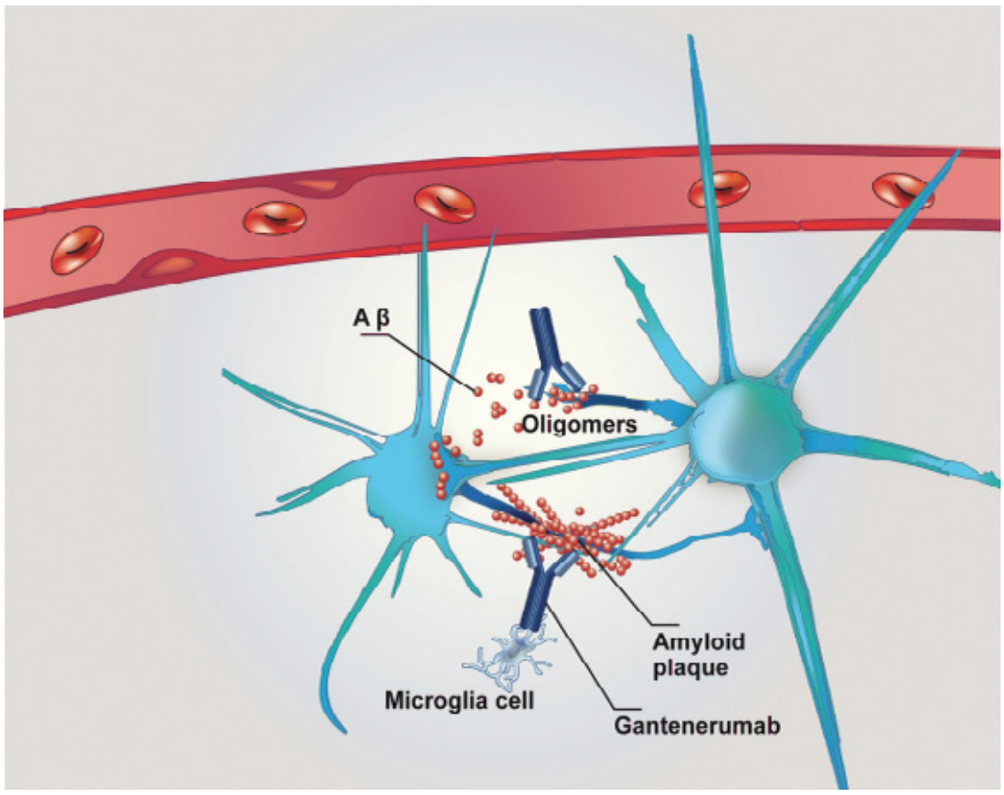
Eight cognitive domains are commonly impaired in Alzheimer's disease: memory, language, reception, attention, constructive ability, orientation, problem-solving, and functional ability. Cognitive impairments in Alzheimer's disease are progressive, and decline is inexorable. No product currently available can stop, prevent, or modify the progression of Alzheimer's disease; instead, currently available therapies are prescribed with the goal of improving the quality of life of both patients and their caregivers, who must cope with the significant burden of this disease. These products provide only marginal, transient benefits, highlighting the need for new, more effective therapies.

GANTENERUMAB FOR TREATMENT OF ALZHEIMER'S DISEASE

MECHANISM OF ACTION

Gantenerumab is an IgG1 antibody derived from a Partnered Discovery project with Hoffmann La Roche. The HuCAL antibody is directed against Aß and binds the N-terminus and a section in the middle of the Aß peptide. On binding, the antibody seems to neutralize and disrupt the formation of amyloid plaque and amyloid oligomers or might dissolve existing ones. In phase 1 clinical trials, gantenerumab has been shown to reduce brain amyloid in mild-to-moderate Alzheimer's disease patients. Load and location of brain Aß were determined by using positron emission tomography (PET) imaging. After treatment with infusions of intravenous gantenerumab or placebo, PET imaging was done using a radioactive Carbon-11 labeled tracer. Using this method, a dose-dependent reduction of brain amyloid level was measured.

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



CLINICAL DEVELOPMENT OF GANTENERUMAB

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

In 2014, we announced that gantenerumab had failed a futility analysis in the first phase 3 trial. In a later analysis, however, it was established that gantenerumab had been dosed significantly lower when compared to

clinical trials conducted with aducanumab, an antibody against Aß developed by Biogen with similar characteristics (e.g., epitope, affinity or IgG subtype) as compared to gantenerumab.

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

In June 2018, we announced that Roche had initiated a new phase 3 development program in patients with Alzheimer's disease. The program consists of two phase 3 trials—GRADUATE-1 and GRADUATE-2. The phase 3 program will enroll approximately 1,520 patients in up to 350 study centers in 31 countries worldwide. The two multicenter, randomized, double-blind, placebo-controlled trials will enroll up to 760 patients each, to assess the efficacy and safety of gantenerumab in patients with early (prodromal to mild) Alzheimer's disease. All participants need to show evidence of beta-amyloid pathology. Patients will receive a placebo or gantenerumab as subcutaneous injection with optimized titration up to the target dose. The primary endpoint for both trials is the assessment of signs and symptoms of dementia, measured as the clinical dementia rating-sum of boxes (CDR-SOB) score, determined as the change of the status from baseline to week 104.

In addition to the two GRADUATE studies, gantenerumab is currently being tested in two open-label extension studies based on the phase 2/3 studies Scarlet RoAD and Marguerite RoAD, and in the DIAN-TU study in patients at risk for or suffering from a type of early-onset Alzheimer's disease caused by a genetic mutation which is conducted by the Washington University School of Medicine.

In November 2019, Roche's Pharma Research and Early Development held an early drug development investor event and gave an update of their neuroscience portfolio. In this context, the start of a phase 1 study assessing a brain-shuttle version of gantenerumab (RG6102) was communicated. The study assesses gantenerumab coupled to a transporter to enhance the brain penetration through transferrin receptor mediated transport across the blood-brain-barrier in Alzheimer`s patients.

COMMERCIALIZATION OF GANTENERUMAB

We are entitled to further milestone payments from Roche for certain defined clinical and/or regulatory milestones related to the product candidate. In addition, in the event of a future approval and commercialization of the antibody, we are entitled to receive from Roche tiered royalties of between 5.5% and 7% of the net sales generated with gantenerumab.

PARTNERED DISCOVERY PROGRAMS IN EARLY CLINICAL DEVELOPMENT, I.E. PHASE 1 AND/OR PHASE 2

BAYER:

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

NOVARTIS:

- BHQ880
- BYM338, bimagrumab
- VAY736, ianalumab
- CLG561, NOV-7
- CMK389, NOV-8

- LKA651, NOV-9
- BPS804, setrusumab, out-licensed to Mereo
- LFG316, tesidolumab
- LJM716, elgemtumab
- PCA062, NOV-10
- NOV-11
- MAA868, NOV-12, out-licensed to Anthos Therapeutics
- HKT288, NOV-13
- CSJ117, NOV-14

JANSSEN, J&J:

- CNTO6785, FTC001, sublicensed to Shandong Fontacea
- CNTO3157, formerly PRV-300, Janssen (Provention Bio terminated the sublicense and returned the program to Janssen in November 2019)

PFIZER:

- PF05082566, utomilumab

BOEHRINGER INGELHEIM:

- BI836845, xentuzumab

MEREO (FORMERLY ONCOMED):

- OMP-18R5, vantictumab

COLLABORATION AND LICENSE AGREEMENTS

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

Generally, our collaboration and license agreements may be for a specific therapeutic program or may be for multiple therapeutic programs across diseases. For programs that we out-license, we may participate in the development and generation of an antibody for a specified target and will have limited preclinical and clinical research and development obligations, with the licensee being primarily responsible for clinical development and commercialization. In general, pursuant to the collaboration agreements we enter into for programs that we out-license, most of our partners have the first right to prosecute, maintain and enforce patents for antibodies (and other patentable technology) developed with our technology. In the event that our partners determine to relinquish any such patent right, we generally have a first right to obtain ownership of such patents. We are generally entitled to milestone payments during the course of development of the therapeutic product and to royalty payments (generally a mid single-digit to low-teens percentage rate) upon the commercial sale of the products. The royalty term generally will be on a product-by-product and country-by-country basis starting on

the first commercial sale and ending on the later of: (i) the expiration of certain specified patent rights, (ii) a certain defined period of years following the first commercial sale, or (iii) the expiration of regulatory exclusivity. The agreements will generally terminate or expire once the obligation of the licensee to pay royalties has ceased.

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

Collaboration and License Agreement with Xencor

In June 2010, we entered into a collaboration and license agreement with Xencor which was subsequently amended in March 2012 (which we refer to, as amended, as the Xencor Collaboration Agreement). Under the Xencor Collaboration Agreement, Xencor granted us an exclusive, worldwide license, including the right to sublicense under certain conditions, for tafasitamab.

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

Xencor already received an upfront payment of US$ 13 million and received US$ 15.5 million for development milestones under the Xencor Collaboration Agreement and is entitled to receive up to an additional US$ 286.5 million in aggregated milestone payments upon the achievement of certain development events including US$ 50 million in the aggregate with respect to sales of licensed antibody products. Furthermore, Xencor will also be eligible to receive tiered royalty payments upon commercialization 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.

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

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

Collaboration and license agreement with Incyte

On January 13, 2020, we entered into a collaboration and licensing agreement with Incyte to further develop and commercialize our proprietary anti-CD19 antibody tafasitamab globally. Under the terms of the agreement, MorphoSys will receive an upfront payment of US$750 million. In addition, Incyte has made an equity investment into MorphoSys of US$150 million in new American Depositary Shares (ADS) of MorphoSys at a premium to the share price at signing of the agreement. Depending on the achievement of certain developmental,

regulatory and commercial milestones, MorphoSys will be eligible to receive milestone payments amounting to up to US$1.1 billion. MorphoSys will also receive tiered royalties on ex-U.S. net sales of tafasitamab in a mid-teens to mid-twenties percentage range.

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

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

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

Research and License Agreement with Janssen (formerly Centocor)

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

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

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

Intellectual property

Our commercial success depends in part on our ability to obtain and maintain proprietary or intellectual property protection for our product candidates and our core technologies and other know-how to operate without infringing, misappropriating or otherwise violating the proprietary rights of others and to prevent others from infringing, misappropriating or otherwise violating our proprietary or intellectual property rights. We protect our proprietary and intellectual property position by, among other methods, licensing or filing of patent applications covering our proprietary technologies and products in our home country and all major markets, with a particular emphasis on the United States. We also rely on trade secrets, know-how and continuing technological innovation to develop and maintain our proprietary and intellectual property position, which we generally seek to protect through contractual obligations with third-parties.

Patents

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

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

In April 2016, we filed a lawsuit in the United States at the District Court of Delaware against Janssen Biotech and Genmab A/S for patent infringement of U.S. Patent Number 8,263,746. U.S. Patents 9,200,061 and 9,758,590 were added to the case in 2017. In filing the lawsuit, we sought redress for alleged infringement of these patents by Janssen's and Genmab's daratumumab, a CD38-directed monoclonal antibody indicated for the treatment of certain patients with multiple myeloma. The U.S. District Court of Delaware, based on a hearing held November 27, 2018, has ruled in a Court Order on January 25, 2019, that the asserted claims of the MorphoSys patents are invalid. The Court thus granted a motion for Summary Judgement of invalidity filed by Janssen Biotech and Genmab, A/S against the three patents held by MorphoSys. As a result of this decision, the jury trial scheduled to start February 11, 2019 to consider Janssen's and Genmab's alleged infringement and the validity of the MorphoSys patents did not take place. On January 31, 2019 we announced that we have settled the dispute with Janssen Biotech and Genmab A/S. The parties agreed to drop the mutual claims related to the litigation: MorphoSys dismissed claims for alleged patent infringement against Janssen Biotech and Genmab A/S and will not appeal from the court order dated January 25, 2019. Janssen and Genmab dismissed their counterclaims against MorphoSys.

At the end of the financial year 2019, we maintained over 60 different proprietary patent families worldwide in addition to the numerous patent families we pursue with our partners.

HuCAL

Our HuCAL platform patent portfolio is wholly owned and the platform is protected by several patent families. The basic HuCAL patents covering the composition of the library, methods to isolate antibodies from the library and methods to diversify antibodies isolated from the library expired in August 2016. At least four additional patent families protecting other technological aspects of the library, such as the specific CDR design (based on WO2008/053275) and certain display methods used with the library (based on WO2001/05950) as well as improvements of this method (based on WO2009/024593) are still in force in major jurisdictions, including Australia, Canada, China, the European Union (EP2190987), Israel, Japan, New Zealand, South Africa and the United States. The last U.S. patent (US9062097) expires on February 18, 2030. Patents in other jurisdictions expire in August 2028. The HuCAL library is also protected by considerable know-how proprietary to us.

Ylanthia

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

Slonomics

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

Tafasitamab

As of December 31, 2019, our tafasitamab patent portfolio was fully owned and/or exclusively licensed from Xencor and the program is currently protected by at least ten different patent families covering various aspects of the molecule, its compositions, methods of use, combination treatments, and formulation, as well as other aspects. The basic composition-of-matter patent family was in-licensed from Xencor and applications were filed in Australia, Canada, the European Union, Hong Kong, India, Japan and the United States. The expiry date for the composition of matter patent is August 2029 for the United States and August 2027 for the other countries, not including any potential patent term extensions.

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

MOR202

Our MOR202 patent portfolio is fully owned and the program is currently protected by about ten different patent families covering various aspects of the molecule, its compositions, combination treatments, dosage regimens, radioconjugates, as well as assays utilized in clinical development. The basic composition-of-matter patent expires in October 2026, outside the United States, and in January 2028, in the United States, in both cases not including any potential patent term extensions. Patent applications were filed and are prosecuted in Argentina, Australia, Brazil, Canada, China, the European Union, Hong Kong, Israel, India, Japan, Mexico, New Zealand, Russia, Singapore, South Africa, South Korea, Taiwan and the United States. Rights to the Greater Chinese territory were exclusively licensed to I-Mab.

Otilimab

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

MOR106

The MOR106 patent portfolio is co-owned by us and Galapagos. The program is currently protected by about ten different patent families covering various aspects of the molecule, its composition, indications, methods of use, as well as other aspects. The basic composition-of-matter patent is prosecuted in more than 30 jurisdictions worldwide. The projected expiry date for the composition of matter patent is February 2037, not including any potential patent term extensions. Other patent families were filed and are being prosecuted in Australia, Canada, China, the European Union, Hong Kong, Israel, India, Japan, Korea, Mexico, New Zealand, Russia, Singapore, United States and South Africa. Pursuant to the Exclusive License Agreement among Galapagos NV, MorphoSys AG and Novartis Pharma AG, as of July 19, 2018, Novartis has a first right to file, prosecute and enforce patent rights related to MOR106. On October 28, 2019, we announced the end of the clinical development program of MOR106 in atopic dermatitis. The joint decision of all three involved parties, Galapagos NV, MorphoSys AG and Novartis Pharma AG, was based on an interim analysis for futility that was performed in the Phase 2 IGUANA trial.

Patent Term

The term of an individual patent depends upon the legal term for patents in the countries in which such patent is granted. In most countries, including the United States, the patent term is 20 years from the earliest filing date of a non-provisional patent application to which the patent claims priority. In the United States, a patent's term may, in certain cases, be lengthened by patent term adjustment, which compensates a patentee for administrative delays by the USPTO in examining and granting a patent, or may be shortened if a patent is terminally disclaimed over a commonly owned patent or a patent naming a common inventor and having an earlier expiration date. The Hatch-Waxman Act permits a patent term extension of up to five years beyond the expiration date of a U.S. patent as partial compensation for the length of time the product is under regulatory review while the patent is in force. The length of the patent term extension is related to the length of time the product is under regulatory review. Patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval and only one patent applicable to an approved product may be extended. Similar provisions are available in other jurisdictions to extend the term of a patent that covers an approved product, or to offer similar protection for an extended period, as is the case in the European Union. In the future, if and when our product candidates receive approval from the FDA or other regulatory authorities, we expect to apply for patent term extensions on patents covering those products where such extensions are available; however there is no guarantee that the applicable authorities, including the FDA, will agree with our assessment of whether such extensions should be granted and, even if granted, the length of such extensions.

Trade Secrets

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

Trademarks and Domain Names

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

Manufacturing

We have adopted a manufacturing strategy of contracting with third-parties in accordance with cGMP for the manufacture of drug substances and products. Additional contract manufacturers are used to fill, label, package and distribute investigational drug products. This allows us to maintain a more flexible infrastructure while focusing our expertise on developing our products. We will ultimately depend on contract manufacturers, or CMOs, for the manufacture of our products for commercial sale, as well as for process development. CMOs are subject to extensive governmental regulation. We currently rely on single source CMOs for each of tafasitamab, MOR202, MOR106 and MOR107. Although multiple potential CMOs are available as additional or alternative manufacturing partners for these product candidates, any such change in CMO would likely result in a delay in the development process of such product candidate.

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

We have also selected industry-leading partners for secondary packing, freight forwarding, and logistics in the U.S.

Competition

We compete in an industry that is characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. Our competitors include pharmaceutical companies, biotechnology companies, academic institutions and other research organizations. While we believe that our technology, knowledge, experience and scientific resources provide us with competitive advantages, we compete with these parties for promising targets for antibody-based therapeutics, new technology for optimizing antibodies and novel antibody formats and in recruiting highly qualified personnel. There are a large number of major pharmaceutical and biotechnology companies developing or marketing treatments for cancer disorders and several antibody drug discovery companies that may compete with us in the search for novel therapeutic antibody targets. We expect that our antibody platforms will serve as the basis for future product candidates and collaborations with pharmaceutical companies. Other companies also have developed platform technologies that compete with us including Genmab, Seattle Genetics and Xencor.

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

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

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

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

Government Regulation

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

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

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

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

- Non-clinical laboratory tests, animal studies and formulation studies all performed in accordance with applicable regulations, including the FDA's good laboratory practices, or GLP, regulations;
- submission to the FDA of an IND application for human clinical testing, which must become effective before human clinical trials may begin;
- approval by an IRB representing each clinical site before each clinical trial may be initiated;
- performance of adequate and well-controlled human clinical trials to establish the safety, potency and purity of the product candidate for each proposed indication, in accordance applicable regulations, including with Good Clinical Practices, or GCP, regulations;
- preparation and submission to the FDA of a BLA for a biologic product requesting marketing approval for one or more proposed indications, including submission of detailed information on the manufacture and composition of the product in clinical development, evidence of safety, purity and potency from non-clinical testing and clinical trials, and proposed labeling;
- review of the product by an FDA advisory committee, if applicable;
- satisfactory completion of one or more FDA inspections of the manufacturing facility or facilities, including those of third-parties, at which the product, or components thereof, are produced to assess compliance with current Good Manufacturing Practices, or cGMP, requirements and to assure that the facilities, methods and controls are adequate to preserve the product's identity, strength, quality and purity;
- satisfactory completion of any FDA audits of the clinical study sites to assure compliance with GCPs, and the integrity of clinical data in support of the BLA;
- payment of user fees and securing FDA approval of the BLA; and
- compliance with any post-approval requirements, including the potential requirement to implement a REMS and to conduct any post-approval studies required by the FDA.

Non-clinical Studies and Investigational New Drug Application

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

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

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

Human Clinical Trials in Support of a BLA

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

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

Further, each clinical trial must be reviewed and approved by an IRB either centrally or individually at each institution at which the clinical trial will be conducted. The IRB will consider, among other things, clinical trial design, patient informed consent, ethical factors and the safety of human subjects. An IRB must operate in compliance with FDA regulations. The FDA, IRB, or the clinical trial sponsor may suspend or discontinue a clinical trial at any time for various reasons, including a finding that the clinical trial is not being conducted in accordance with FDA requirements or that the subjects or patients are being exposed to an unacceptable health risk. Clinical testing also must satisfy extensive GCP rules and the requirements for informed consent. The IRB also approves the form and content of the informed consent that must be signed by each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed. Additionally, some clinical trials are overseen by an independent group of qualified experts organized by the clinical trial sponsor, known as a data safety monitoring board or committee. This group may recommend the continuation of the study as planned, changes in study conduct, or cessation of the study at designated checkpoints based on access to certain data from the study.

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

- Phase 1 clinical trials (or phase 1) are initially conducted in a limited population to test the product candidate for safety, including adverse effects, dose tolerance, absorption, metabolism, distribution, excretion and pharmacodynamics in healthy humans or, on occasion, in patients, such as in the case of some products for severe or life-threatening diseases, especially when the product may be too inherently toxic to ethically administer to healthy volunteers.
- Phase 2 clinical trials (or phase 2) are generally conducted in a limited patient population to identify possible adverse effects and safety risks, preliminarily evaluate the efficacy of the product candidate for specific targeted indications and determine dose tolerance and optimal dosage. Multiple phase 2 clinical trials may be conducted by the sponsor to obtain information prior to beginning larger phase 3 clinical trials.
- Phase 3 clinical trials (or phase 3) proceed if phase 2 clinical trials demonstrate that a certain dose or dose range of the product candidate is potentially effective and has an acceptable safety profile. Phase 3 clinical trials are undertaken within an expanded patient population, often at geographically dispersed clinical trial sites, to gather additional information about safety and effectiveness necessary to evaluate the overall benefit-risk relationship of the product and to provide an adequate basis for physician labeling.

In some cases, the FDA may approve a BLA for a product candidate but require the sponsor to conduct additional clinical trials to further assess the product candidate’s safety and effectiveness after approval. Such

post-approval trials are typically referred to as phase 4 clinical trials (or phase 4). These studies may be used to gain additional experience from the treatment of patients in the intended therapeutic indication and to document a clinical benefit in the case of biologics approved under accelerated approval regulations. If the FDA approves a product while a company has ongoing clinical trials that were not necessary for approval, a company may be able to use the data from these clinical trials to meet all or part of any phase 4 clinical trial requirement or to request a change in the product labeling. Failure to exhibit due diligence with regard to conducting required phase 4 clinical trials could result in withdrawal of approval for products.

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

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

Compliance with cGMP Requirements

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

Manufacturers and others involved in the manufacture, packaging and distribution of biological products must also register their establishments with the FDA and certain state agencies. Both domestic and foreign manufacturing establishments must register and provide additional information to the FDA upon their initial participation in the manufacturing process.

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

Review and Approval of a BLA

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

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

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

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

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

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

Fast Track, Breakthrough Therapy and Priority Review Designations

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

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

In 2012, Congress enacted the FDASIA. This law established a new regulatory scheme allowing for expedited review of products designated as "breakthrough therapies". A product may be designated as a breakthrough therapy if it is intended, either alone or in combination with one or more other products, to treat a serious or life-threatening disease or condition and preliminary clinical evidence indicates that the product may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. The FDA may take certain actions with respect to breakthrough therapies, including holding meetings with the sponsor throughout the development process; providing timely advice to the product sponsor regarding development and approval; involving more senior staff in the review process; assigning a cross-disciplinary project lead for the review team; and taking other steps to facilitate the design of clinical trials in an efficient manner.

The FDA may designate a product for priority review if it is a product that treats a serious condition and, if approved, would provide a significant improvement in safety or effectiveness. The FDA determines, on a case-by-case basis, whether the proposed product represents a significant improvement when compared with other available therapies. Significant improvement may be illustrated by evidence of increased effectiveness in

the treatment of a condition, elimination or substantial reduction of a treatment-limiting product reaction, documented enhancement of patient compliance that may lead to an improvement in serious outcomes and evidence of safety and effectiveness in a new subpopulation. A priority designation is intended to direct overall attention and resources to the evaluation of such applications, and to shorten the FDA's goal for taking action on a marketing application from ten months to six months.

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

Accelerated Approval Pathway

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

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

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

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

Post-Approval Regulation

If regulatory approval for marketing of a product or for a new indication for an existing product is obtained, the sponsor will be required to comply with rigorous and extensive post-approval regulatory requirements as well as any post-approval requirements that the FDA has imposed on the particular product as part of the approval process. The sponsor will be required, among other things, to report certain adverse reactions and production

problems to the FDA, provide updated safety and efficacy information and comply with requirements concerning advertising and promotional labeling. Manufacturers and certain of their subcontractors are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with ongoing regulatory requirements, including cGMP regulations, which impose certain procedural and documentation requirements upon manufacturers. Accordingly, the BLA-holder and its third-party manufacturers must continue to expend time, money and effort in the areas of production and quality control to maintain compliance with cGMP regulations and other regulatory requirements. In addition, changes to the manufacturing process or facility generally require prior FDA approval before being implemented, and other types of changes to the approved product, such as adding new indications and additional labeling claims, are also subject to further FDA review and approval.

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

- restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- fines, untitled letters or warning letters or holds on post-approval clinical trials;
- adverse publicity;
- refusal of the FDA to approve pending applications or supplements to approved applications, or suspension or revocation of product license approvals;
- product seizure or detention, or refusal to permit the import or export of products; or
- injunctions, fines, debarment, disgorgement of profits or the imposition of civil or criminal penalties.

The FDA strictly regulates marketing, labeling, advertising and promotion of products that are placed on the market. Pharmaceutical products may be promoted only for the approved indications and in accordance with the provisions of the approved label. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability.

Orphan Drug Designation

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

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

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

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

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

Pediatric Studies and Exclusivity

Under the Pediatric Research Equity Act of 2003, a BLA or supplement thereto must contain data that are adequate to assess the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations, and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. Sponsors who are planning to submit a marketing application for a biological product that includes a new active ingredient, new indication, new dosage form, new dosing regimen or new route of administration must also submit pediatric study plans prior to the assessment data, and no later than 60 calendar days following an end-of-phase 2 meeting with the FDA. Pediatric study plans must contain an outline of the proposed pediatric study or studies the sponsor plans to conduct, including study objectives and design, any deferral or waiver requests and other information required by regulation. The applicant, the FDA, and the FDA's internal review committee must then review the information submitted, consult with each other and agree upon a final plan. The FDA or the applicant may request an amendment to the plan at any time.

The FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of some or all pediatric data until after approval of the product for use in adults, or full or partial waivers from the pediatric data requirements. Additional requirements and procedures relating to deferral requests and requests for extension of deferrals are contained in FDASIA. Unless otherwise required by regulation, the pediatric data requirements do not apply to products with orphan designation.

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

Regulation of Combination Products in the United States

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

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

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

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

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

Clinical Trial Approval

Pursuant to the currently applicable Clinical Trials Directive 2001/20/EC and the Directive 2005/28/EC on GCP, a system for the approval of clinical trials in the European Union has been implemented through national

legislation of the Member States. Under this system, an applicant must obtain approval from the competent national authority of a European Union Member State in which the clinical trial is to be conducted or in multiple Member States if the clinical trial is to be conducted in a number of Member States. Furthermore, the applicant may only start a clinical trial at a specific study site after the independent ethics committee has issued a favorable opinion in relation to the clinical trial. The clinical trial application must be accompanied by an investigational medicinal product dossier with supporting information prescribed by Directive 2001/20/EC and Directive 2005/28/EC and corresponding national laws of the Member States and further detailed in applicable guidance documents.

In April 2014, the European Union adopted a new Clinical Trials Regulation (EU) No 536/2014, which is set to replace the current Clinical Trials Directive 2001/20/EC. It is expected that the new Clinical Trials Regulation will come into effect in 2020. It will overhaul the current system of approvals for clinical trials in the European Union. Specifically, the new regulation, which will be directly applicable in all Member States (meaning that no national implementing legislation in each Member State is required), aims at simplifying and streamlining the approval of clinical trials in the European Union. For instance, the new Clinical Trials Regulation provides for a streamlined application procedure using a single entry point and strictly defined deadlines for the assessment of clinical trial applications.

Marketing Authorization

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

The centralized procedure provides for the grant of a single marketing authorization by the European Commission that is valid for all European Union Member States (as well as Iceland, Norway and Liechtenstein). Pursuant to Regulation (EC) No. 726/2004, the centralized procedure is compulsory for specific products, including for medicines produced by certain biotechnological processes, products designated as orphan medicinal products, advanced therapy products and products with a new active substance indicated for the treatment of certain diseases, including products for the treatment of cancer. For those products for which the use of the centralized procedure is not mandatory, applicants may elect to use the centralized procedure where either the product contains a new active substance indicated for the treatment of other diseases, or where the applicant can show that the product constitutes a significant therapeutic, scientific or technical innovation, or for which a centralized process is in the interest of patients at a European Union level.

Under the centralized procedure, the Committee for Medicinal Products for Human use (or the “CHMP”), which is the EMA’s committee that is responsible for human medicines, is responsible for conducting the assessment of whether a medicines meets the required quality, safety and efficacy requirements, and whether the product has a positive benefit/risk profile. Under the centralized procedure, the maximum timeframe for the evaluation of an MAA is 210 days from the receipt of a valid MAA, excluding clock stops when additional information or written or oral explanation is to be provided by the applicant in response to questions of the CHMP. Clock stops may extend the timeframe of evaluation of an MAA considerably beyond 210 days. Where the CHMP gives a positive opinion, it provides the opinion together with supporting documentation to the European Commission, who make the final decision to grant a marketing authorisation. Accelerated evaluation may be granted by the CHMP in exceptional cases, when a medicinal product is of major interest from the point of view of public health and, in particular, from the viewpoint of therapeutic innovation.

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

Periods of Authorization and Renewals

A marketing authorization is valid for five years, in principle, and it may be renewed after five years on the basis of a re-evaluation of the risk benefit balance by the EMA or by the competent authority of the authorizing Member State. To that end, the marketing authorization holder must provide the EMA or the competent authority with a consolidated version of the file in respect of quality, safety and efficacy, including all variations introduced since the marketing authorization was granted, at least nine months before the marketing authorization ceases to be valid. Once renewed, the marketing authorization is valid for an unlimited period, unless the European Commission or the competent authority decides, on justified grounds relating to pharmacovigilance, to proceed with one additional five-year renewal period. Any authorization that is not followed by the placement of the product on the European Union market (in the case of the centralized procedure) or on the market of the authorizing Member State within three years after authorization ceases to be valid.

Regulatory Requirements after Marketing Authorization

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

Orphan Drug Designation and Exclusivity

Regulation (EC) No. 141/2000 and Regulation (EC) No. 847/2000 provide that a product can be designated as an orphan drug by the European Commission if its sponsor can establish: that the product is intended for the diagnosis, prevention or treatment of (1) a life-threatening or chronically debilitating condition affecting not more than five in ten thousand persons in the European Union when the application is made, or (2) a life-threatening, seriously debilitating or serious and chronic condition in the European Union and that without incentives it is unlikely that the marketing of the product in the European Union would generate sufficient return to justify the necessary investment. For either of these conditions, the applicant must also demonstrate that there exists no satisfactory method of diagnosis, prevention, or treatment of the condition in question that has been authorized in the European Union or, if such method exists, the product has to be of significant benefit compared to products available for the condition.

An orphan drug designation provides a number of benefits, including fee reductions, regulatory assistance and the possibility to apply for a centralized European Union marketing authorization. The grant of a marketing authorization for an orphan drug leads to a ten-year period of market exclusivity. During this market exclusivity period, neither the EMA nor the European Commission or the Member States can accept an application or grant a marketing authorization for the same therapeutic indication in respect of a "similar medicinal product". A "similar medicinal product" is defined as a medicinal product containing a similar active substance or substances as contained in an authorized orphan medicinal product, and which is intended for the same therapeutic

indication. The market exclusivity period for the authorized therapeutic indication may, however, be reduced to six years if, at the end of the fifth year, it is established that the product no longer meets the criteria for orphan drug designation because, for example, the product is sufficiently profitable not to justify market exclusivity. There are a number of derogations from the ten-year period of market exclusivity pursuant to which the European Commission may grant a marketing authorisation for a similar medicinal product in the same therapeutic indication, including where the second applicant can establish that although their product is similar to the orphan medicinal product already authorised, the second product is safer, more effective or otherwise clinically superior.

Coverage, Reimbursement and Pricing

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

In order to secure coverage and reimbursement for any product that might be approved for sale, a company may need to conduct expensive pharmacoeconomic studies in order to demonstrate the medical necessity and cost-effectiveness of the product, and the cost of these studies would be in addition to the costs required to obtain FDA or other comparable marketing approvals. Even after pharmacoeconomic studies are conducted, product candidates may not be considered medically necessary or cost-effective. A decision by a third-party payor not to cover any product candidates we may develop could reduce physician utilization of such product candidates once approved and have a material adverse effect on our sales, results of operations and financial condition. Additionally, a payor's decision to provide coverage for a product does not imply that an adequate reimbursement rate will be approved. For example, the payor may require co-payments that patients find unacceptably high. Further, one payor's determination to provide coverage for a product does not assure that such coverage will continue or that other payors will also provide coverage and reimbursement for the product, and the level of coverage and reimbursement can differ significantly from payor to payor. Third-party reimbursement and coverage may not be adequate to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development and generate revenue.

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

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

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

Healthcare Law and Regulation

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

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

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

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

Violations of these laws can subject us to criminal, civil and administrative sanctions including monetary penalties, damages, fines, disgorgement, individual imprisonment and exclusion from participation in government-funded healthcare programs, such as Medicare and Medicaid, additional reporting requirements and oversight if we become subject to a corporate integrity agreement or similar agreement to resolve allegations of

non-compliance with these laws, reputational harm, and we may be required to curtail or restructure our operations. Moreover, we expect that there will continue to be federal and state laws and regulations, proposed and implemented, that could impact our future operations and business.

Healthcare Reform

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

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

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

At this point, healthcare reform and its impacts on us are highly uncertain in many respects. For example, since its enactment, there have been judicial and Congressional challenges to numerous aspects of the ACA. The current U.S. administration and U.S. Congress have focused on additional executive and legislative changes, including in particular repeal and replacement of certain provisions of the ACA. It remains to be seen, however, whether new legislation reforming, repealing or replacing the ACA will be enacted and, if so, precisely what the new legislation will provide and what impact it will have on the availability of healthcare and containing or lowering the cost of healthcare. It is possible that these reform, repeal and replacement initiatives, if enacted into law, could ultimately result in fewer individuals having health insurance coverage or in individuals having insurance coverage with less generous benefits. It is also possible that some ACA provisions that generally are not favorable for the research-based pharmaceutical industry could also be repealed along with ACA coverage expansion provisions.

Since its enactment, there have been numerous judicial, administrative, executive, and legislative challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to the ACA in the

future. Various portions of the ACA are currently undergoing legal and constitutional challenges in the Fifth Circuit Court and the United States Supreme Court; the Trump Administration has issued various Executive Orders which eliminated cost sharing subsidies and various provisions that would impose a fiscal burden on states or a cost, fee, tax, penalty or regulatory burden on individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices; and Congress has introduced several pieces of legislation aimed at significantly revising or repealing the ACA. It is unclear whether the ACA will be overturned, repealed, replaced, or further amended. We cannot predict what affect further changes to the ACA would have on our business.

Other legislative changes have been proposed and adopted in the United States since the ACA was enacted. For example, in August 2011, the Budget Control Act of 2011, among other things, included aggregate reductions of Medicare payments to providers of 2% per fiscal year, which went into effect in April 2013 and, due to subsequent legislative amendments, will remain in effect through 2029 unless additional Congressional action is taken. In January 2013, the American Taxpayer Relief Act of 2012, among other things, further reduced Medicare payments to several providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

Additionally, there has been increasing legislative and enforcement interest in the United States with respect to specialty drug pricing practices. Specifically, there have been several recent U.S. Congressional inquiries and proposed bills designed to, among other things, bring more transparency to drug pricing, reduce the cost of prescription drugs under Medicare, review the relationship between pricing and manufacturer patient programs, explore reimportation of drugs and reform government program reimbursement methodologies for drugs. Individual states have also become increasingly active in passing legislation and implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access, and to encourage importation from other countries and bulk purchasing.

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

C. Organizational Structure

As of December 31, 2019, we had three subsidiaries. The following table sets out for each of our principal subsidiaries, the country of incorporation, and percentage ownership and voting interest held by us (directly or indirectly through subsidiaries).

Company	Country of incorporation	Percentage ownership and voting interest	Main activity
Lanthio Pharma B.V.	Netherlands	100.00%	Holding company of LanthioPep B.V.
LanthioPep B.V.	Netherlands	100.00%	Discovery and preclinical development of lanthipeptides and MOR107
MorphoSys US Inc.	United States	100.00%	Commercialization and selling of products in the field of medicines, pharmaceutical compounds & related intermediate products, as well as operation of all businesses necessary measures related thereto

D. Property, Plant and Equipment

Our headquarters are in the suburbs of Munich, Germany, where we occupy office and laboratory space under a ten-year fixed term lease that started on January 1, 2017. Our subsidiary, Lanthio Pharma, is based in Groningen, the Netherlands, where it occupies office space under a six-year lease. The lease expires in 2022. In July 2018, we established a wholly owned subsidiary, MorphoSys US Inc., to prepare for the potential launch of tafasitamab and build-up of our commercial infrastructure in the United States. MorphoSys US Inc. occupies office space in Boston, Massachusetts under a seven-year fixed term lease. The office is located in Boston, Massachusetts.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

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

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

A. Operating Results

Revenues

Revenues in the 2019 reporting year declined by 6%, or € 4.6 million, to € 71.8 million (2018: € 76.4 million). Revenues were generated primarily from royalties received from Janssen in the amount of € 31.8 million based on the net sales of Tremfya® (2018: € 15.4 million). A milestone payment from GSK in the amount of € 22.0 million also contributed to sales and was triggered by the dosing of the first patient upon the initiation of a phase 3 clinical development program. Revenues in 2018 resulted mainly from the receipt of a payment of € 47.5 million, which was fully recognized in 2018 following the signing of an exclusive worldwide license agreement with Novartis Pharma AG for the development and commercialization of MOR106.

On a regional basis, revenues from biotechnology and pharmaceutical companies in the USA and Canada increased by 67%, or € 12.9 million, from € 19.4 million in 2018 to € 32.3 million in the reporting year. This development was driven primarily by success-based payments received mainly from Janssen. Revenues with customers in Europe and Asia declined by 31%, or € 17.6 million, to € 39.5 million in 2019 (2018: € 57.1 million), mainly due to the fact that 2018 had contained a Novartis payment for MOR106. The absence of such a payment in the 2019 reporting year was partly compensated for by a milestone payment from GSK in the amount of € 22.0 million.

A total of 89% of the revenues generated in 2019 were attributable to activities with our partners Janssen, GSK and I-Mab Biopharma. In 2018, 95% of the revenues generated were attributable to activities with our partners Novartis, I-Mab Biopharma and Janssen.

Revenues in 2018 rose by 14%, or € 9.6 million, to € 76.4 million (2017: € 66.8 million). The main source of this increase was a € 47.5 million payment received and fully recognized as revenue by MorphoSys in 2018. This payment followed the signing of an exclusive worldwide license agreement with Novartis Pharma AG for the development and commercialization of MOR106. In 2017, revenues were positively affected by funded research and licensing income originating from a collaboration agreement with Novartis that had expired at the end of 2017. Revenues were also boosted significantly by the signing of an exclusive regional license agreement with I-Mab Biopharma for the development and commercialization of MOR202 in China, Taiwan, Hong Kong and Macau.

Revenues from biotechnology and pharmaceutical companies in the US and Canada in 2018 increased by more than 100.0%, or € 10.7 million, climbing from € 8.7 million in 2017 to € 19.4 million in 2018. This increase was driven mainly by success-based payments received by MorphoSys from Janssen. Revenues with customers in Europe and Asia in 2018 declined by 2.0%, or € 1.0 million, to € 57.1 million (2017: € 58.1 million).

In 2018, 95% of revenues were attributable to activities with our partners Novartis, I-Mab Biopharma and Janssen; in 2017, 90% of revenues were attributable to activities with these partners. The year-over-year increase resulted from the signing of the MOR106 agreement with Novartis in 2018 and the receipt of a related upfront payment.

Proprietary Development

In 2019, revenues in the Proprietary Development segment decreased by € 19.3 million to € 34.3 million (2018: € 53.6 million). This decline was a result of the revenues recognized in 2018 from a payment MorphoSys received under the MOR106 agreement concluded with Novartis in 2018. The absence of such a payment in 2019 was partially offset by higher revenues of € 29.1 million generated from success-based payments.

In 2018, revenues in the Proprietary Development segment increased by € 36.0 million to € 53.6 million (2017: € 17.6 million). This increase resulted from the revenues generated by the payment received by MorphoSys under the MOR106 agreement with Novartis signed in 2018.

Partnered Discovery

The Partnered Discovery segment recorded an increase in revenues of € 14.7 million to a total of € 37.5 million in 2019 (2018: € 22.8 million). These revenues included success-based payments, primarily from Janssen, of € 33.2 million in 2019 and € 19.3 million in the previous year. The success-based payments primarily included royalties on net sales of Tremfya® in the amount of € 31.8 million in 2019 and € 15.4 million in 2018. The Partnered Discovery segment also included revenues in the amount of € 4.3 million from funded research and licensing fees in the reporting year and € 3.5 million in 2018.

The Partnered Discovery segment reported a decline in revenues of € 26.4 million to € 22.8 million in 2018 (2017: € 49.2 million). These revenues included € 3.5 million from funded research and licensing fees in 2018 and € 41.9 million in 2017. The lower revenues were mainly a result of the expiration of the collaboration agreement with Novartis in 2017. The Partnered Discovery segment also included success-based payments, primarily from Janssen, in the amount of € 19.3 million in 2018 and € 7.3 million in 2017. Revenues in the Partnered Discovery segment included royalties on net sales of Tremfya® in the amount of € 15.4 million in 2018 and € 1.9 million in 2017.

Operating Expenses

In 2019, operating expenses increased by 32%, or € 43.4 million, from € 136.5 million in 2018 to € 179.9 million. An increase in cost of sales, research and development expenses, selling expenses and general and administrative expenses contributed to this development. Cost of sales increased from € 1.8 million in 2018

to € 12.1 million in 2019, primarily due to an € 8.7 million impairment to a net realizable value of zero on inventory of tafasitamab that was manufactured prior to regulatory approval but is available for subsequent commercialization. Research and development expenses increased by 2%, or € 2.0 million, to € 108.4 million in the reporting year (2018: € 106.4 million). In 2019, selling expenses amounted to € 22.7 million compared to € 6.4 million in 2018, mainly due to higher personnel expenses and expenses for external services. General and administrative expenses increased by 68%, or € 14.8 million, from € 21.9 million in 2018 to € 36.7 million in 2019, also primarily as a result of higher personnel expenses and expenses for external services.

Operating expenses in the Proprietary Development segment increased by 34%, or € 36.5 million, in the reporting year and totaled € 143.5 million (2018: € 107.0 million). The main factors that led to this increase were higher selling expenses and higher general and administrative expenses as a result of establishing the sales organization in the USA. Research and development expenses in the Proprietary Development segment (including technology development) increased by 0.3%, or € 0.3 million, to € 98.6 million in the reporting period (2018: € 98.3 million).

Operating expenses in the Partnered Discovery segment in 2019 increased by 13% or € 1.2 million to € 10.7 million (2018: € 9.5 million), mainly due to higher research and development expenses. Research and development expenses in the Partnered Discovery segment increased by 14%, or € 1.2 million, to € 9.7 million in 2019 (2018: € 8.5 million).

In 2018, operating expenses increased by 2%, or € 2.7 million, from € 133.8 million in 2017 to € 136.5 million in 2018. This increase was driven by higher cost of sales and selling expenses as well as higher administrative expenses. The line item “cost of sales” was presented for the first time in the third quarter of 2018 and consisted of expenses in connection with services being rendered while transferring projects to customers such as I-Mab Biopharma. In 2018, cost of sales amounted to € 1.8 million. The Group started presenting “selling expenses” as a separate line item since January 1, 2018. In 2018, selling expenses amounted to € 6.4 million compared to € 4.8 million in 2017. The presentation of selling expenses led to a change in the presentation of research and development expenses and general and administrative expenses for 2017. These items were reduced by € 3.5 million and € 1.3 million, respectively, and the corresponding amounts are now included in “selling expenses.” Research and development expenses decreased by 6%, or € 6.9 million, from € 113.3 million in 2017 to € 106.4 million in 2018, mainly as a result of decreased expenses for external services related to development activities in our Proprietary Development segment as well as decreased expenses in our Partnered Discovery segment. General and administrative expenses increased by 39%, or € 6.2 million, from € 15.7 million in 2017 to € 21.9 million in 2018, mainly due to higher personnel expenses and costs for external services.

Operating expenses in the Proprietary Development segment in 2018 increased by 8%, or € 7.9 million, and amounted to € 107.0 million (2017: € 99.1 million). The main causes of this increase were higher research and development expenses and higher selling expenses. Research and development expenses in the Proprietary Development segment (including technology development) increased by 2%, or € 2.0 million, to € 98.3 million in 2018 (2017: € 96.3 million), primarily as a result of higher expenses related to tafasitamab.

Operating expenses in the Partnered Discovery segment in 2018 decreased by 50%, or € 9.4 million, to € 9.5 million (2017: € 18.9 million) mainly due to lower research and development expenses. Research and development expenses in the Partnered Discovery segment decreased by 51%, or € 8.8 million, to € 8.5 million in 2018 (2017: € 17.3 million). In 2017, research and development expenses in the Partnered Discovery segment were mainly related to the collaboration with Novartis, which was terminated at the end of 2017.

Research and Development

In 2019, research and development expenses increased by 2%, or € 2.0 million, to € 108.4 million (2018: € 106.4 million). This increase was mainly the result of higher expenses for external laboratory services and personnel, which were partially offset by lower expenses for intangible assets. Expenses for external laboratory

services, together with legal and scientific consulting services, increased from € 47.9 million in the previous year to € 60.7 million in the year under review. The increase was primarily due to higher expenses for external laboratory services in connection with the development of tafasitamab. Personnel expenses rose from € 25.3 million in the previous year to € 30.1 million in the year under review, mainly due to an increase in the expenses related to the development of tafasitamab (totaling € 5.5 million).

Expenses for intangible assets amounted to € 5.6 million in 2019 (2018: € 22.8 million). In the reporting year, these were mainly influenced by impairment charges of €1.3 million related to an impairment of the in-process R&D program MOR107. Depreciation and other expenses related to infrastructure increased from € 5.4 million in 2018 to € 5.9 million in 2019, mainly due to higher insurance expenses. Other expenses increased from € 2.8 million in 2018 to € 3.1 million. Expenses for consumable supplies rose from € 2.3 million in the previous year to € 2.9 million in 2019.

Research and development expenses in 2018 decreased by 6%, or € 6.9 million, to € 106.4 million (2017: € 113.3 million) mainly as a result of lower expenses for external laboratory services and personnel, which were partially offset by higher expenses for intangible assets. Expenses for external laboratory services and other expenses (including legal and scientific consulting services) decreased from € 61.1 million in 2017 to € 47.9 million in 2018, mainly due to lower expenses for external laboratory services in connection with the license agreements for MOR202 and MOR106. Personnel expenses decreased from € 28.5 million in 2017 to € 25.3 million in 2018, mainly due to lower expenses for share-based payments and severance payments (of € 1.5 million in total).

In 2018, expenses for intangible assets increased to € 22.8 million (2017: € 13.5 million). This item was mainly impacted by impairment charges of € 19.2 million in 2018 in connection with the goodwill impairment of MOR107 and € 9.8 million in 2017 in connection with the termination of the collaboration with Aptevo Therapeutics for the development of MOR209. Depreciation and other infrastructure expenses increased from € 4.9 million in 2017 to € 5.4 million in 2018, mainly due to higher insurance expenses. Other expenses remained unchanged at € 2.8 million. Expenses for consumables and supplies were reduced from € 2.6 million in 2017 to € 2.3 million in 2018.

Selling

In 2019, selling expenses increased by more than 100% or € 16.3 million to € 22.7 million (2018: € 6.4 million). This increase primarily resulted from higher expenses for external services and personnel expenses. The cost of external services increased by € 11.2 million to € 14.2 million in 2019 due to increasing activities for the preparation of the commercialization of tafasitamab (2018: € 3.0 million). Personnel expenses increased to € 7.0 million (2018: € 2.5 million) due to intensified marketing activities for tafasitamab.

In 2018, selling expenses rose by 33%, or € 1.6 million, to € 6.4 million (2017: € 4.8 million). This increase was mainly due to higher personnel expenses and expenses for external services. Personnel expenses increased to € 2.5 million (2017: € 1.8 million) due to intensified marketing activities for tafasitamab. The cost of external services increased by € 0.3 million to € 3.0 million in 2018 (2017: € 2.7 million).

General and Administrative

General and administrative expenses increased by 68%, or € 14.8 million, in 2019 and amounted to € 36.7 million (2018: € 21.9 million). The main sources of this increase were higher personnel expenses and expenses for external services. Personnel expenses rose from € 15.0 million in the previous year to € 23.4 million in the year under review, largely due to higher expenses for share-based compensation programs and salaries. Expenses for external services rose from € 4.5 million in the previous year to € 9.2 million in the year under review, especially in connection with the preparation of the commercialization of tafasitamab. Other expenses rose from € 1.0 million in 2018 to € 1.9 million in 2019, mainly due to higher travel expenses.

General and administrative expenses increased by 39%, or € 6.2 million, in 2018 and amounted to € 21.9 million (2017: € 15.7 million). The main reasons for this increase were higher personnel expenses and expenses for external services. Personnel expenses increased from € 11.8 million in 2017 to € 15.0 million in 2018 primarily due to higher expenses for share-based compensation programs and salaries. Expenses for external services increased from € 2.2 million in 2017 to € 4.5 million in 2018 and were mainly related to one-time expenses in connection with the IPO on the Nasdaq Global Market. Other expenses rose from € 0.7 million in 2017 to € 1.0 million in 2018, mainly due to higher rental expenses.

Other Income

Other income decreased by 50%, or € 0.8 million, to € 0.8 million in the reporting year (2018: € 1.6 million) and mainly included currency gains of € 0.2 million (2018: € 0.7 million), research grants of € 0.1 million (2018: € 0.2 million) and miscellaneous income of € 0.5 million (2018: € 0.4 million). The year 2018 included one-time gains from the capitalization of previously unrecognized intangible assets in the amount of € 0.4 million (resulting from the contribution in kind in connection with the investment in adivo GmbH).

In 2018, other income increased by 45%, or € 0.5 million, to € 1.6 million (2017: € 1.1 million) and mainly included currency gains of € 0.7 million (2017: € 0.5 million), gains from the capitalization of previously unrecognized intangible assets of € 0.4 million (2017: € 0) resulting from the contribution in kind in connection with the investment in adivo GmbH, research grants in the amount of € 0.2 million (2017: € 0.2 million) and miscellaneous income in the amount of € 0.5 million (2017: € 0.4 million).

Other Expenses

Other expenses decreased by 14%, or € 0.1 million, from € 0.7 million in 2018 to € 0.6 million in 2019 and consisted mainly of currency losses of € 0.4 million (2018: € 0.5 million) and other expenses of € 0.2 million (2018: € 0.2 million).

Other expenses decreased by 59%, or € 1.0 million, from € 1.7 million in 2017 to € 0.7 million in 2018 and consisted mainly of currency losses of € 0.5 million (2017: € 0.8 million) and other expenses of € 0.2 million (2017: € 0.8 million).

EBIT

EBIT, defined as earnings before finance income, finance expenses, income from impairment reversals/impairment losses on financial assets and income taxes, amounted to € -107.9 million in 2019, compared to € -59.1 million in the previous year and € -67.6 million in 2017.

Finance Income

Finance income rose by more than 100%, or € 2.4 million, to € 2.8 million in the reporting year (2018: € 0.4 million), which mainly included gains from derivatives in the amount of € 1.5 million (2018: € 0.3 million), gains from changes in the fair value of financial assets recognized in profit or loss in the amount of € 1.1 million (2018: € 0.1 million) and interest income of € 0.2 million (2018: € 0.1 million) from investments in term deposits with fixed or variable interest rates.

Finance income fell by 43%, or € 0.3 million, to € 0.4 million in 2018 (2017: € 0.7 million) as a result of lower investment returns, which mainly included realized gains from derivatives in the amount of € 0.3 million (2017: € 0.4 million) and interest income of € 0.1 million (2017: € 0.2 million) from investments in term deposits with fixed or variable interest rates.

Finance Expenses

Finance expenses increased by more than 100%, or € 1.5 million, to € 2.3 million in the reporting year (2018: € 0.8 million) and primarily consisted of losses from changes in the fair value of financial assets recognized in profit or loss in the amount of € 0.3 million (2018: € 0.1 million), interest expenses from financial assets and liabilities at amortized cost in the amount of € 0.8 million (2018: € 0.2 million) and losses from derivatives of € 0.2 million (2018: € 0.4 million). In 2019, with the application of the new IFRS 16 standard on leases, interest expenses of € 0.9 million from the compounding of non-current lease liabilities were recognized for the first time.

Finance expenses decreased by 5%, or € 1.1 million, to € 0.8 million in 2018 (2017: € 1.9 million) and primarily consisted of losses from marketable securities and derivatives in the amount of € 0.4 million (2017: € 1.5 million) and interest expenses in the amount of € 0.3 million (2017: € 0.5 million).

Income Tax Expenses

In the reporting year, income tax benefits amounted to € 3.5 million (2018: € 4.3 million). In 2019, income tax benefits were mainly due to the reduction of deferred tax liabilities resulting from amortization of intangible assets and a decrease in the tax rate in the Netherlands. The effective income tax rate decreased to 3.3% in the year under review (2018: 7.1%). The difference to the expected tax rate of 26.7% (which would have resulted in income tax benefits of € 28.4 million (2018: € 16.1 million) is mainly due to the fact that deferred tax assets on tax losses of the past year in the amount of € 27.0 million (2018: € 14.5 million) were not recognized.

In 2018, income tax benefits amounted to € 4.3 million. In 2017, income tax expenses amounted to € 1.0 million. Income tax benefits were mainly due to the reduction of a deferred tax liability, which in turn resulted from the impairment of intangible assets. The effective income tax rate rose to 7.1% in 2018 (2017: -1.5%). The difference to the expected tax rate of 26.7% (which would have resulted in income tax benefits of € 16.1 million (2017: € 18.3 million)) is mainly due to the fact that deferred tax assets on tax losses of the past year of € 14.5 million (2017: € 22.0 million) were not recognized. In addition, permanent differences from transaction costs in connection with the US IPO of € -3.7 million arose in 2018 and deferred tax assets on temporary differences of € 0.3 million were not recognized in 2018.

Consolidated Net Profit/Loss for the Period

In 2019, the net loss amounted to € 103.0 million (2018: loss of € 56.2 million; 2017: loss of € 69.8 million).

B. Liquidity and Capital Resources

Sources of Funding

We have funded our operations primarily through ordinary share issues and cash proceeds from ongoing business operations, including upfront fees, milestone payments, license fees, royalties, and service fees from strategic partners and government grants.

Liquidity is defined as the sum of the balance sheet items “cash and cash equivalents,” “financial assets at fair value with changes recognized in profit or loss” and “other financial assets at amortized cost.”

On December 31, 2019, cash and cash equivalents amounted to € 44.3 million, financial assets at fair value with changes recognized in profit or loss amounted to € 20.5 million and other current and non-current financial assets at amortized cost amounted to € 292.7 million. On December 31, 2018, we had cash and cash equivalents of € 45.5 million, financial assets at fair value with changes recognized in profit or loss of € 44.6 million and other current and non-current financial assets at amortized cost of € 364.7 million.

Cash in excess of immediate working capital requirements is invested in accordance with our investment policy, primarily with a view to liquidity and capital preservation. Investments are primarily made in money market funds, corporate bonds and term deposits with fixed or variable interest.

We are not subject to any operating covenants or capital requirements.

Uses of Funding

Our primary use of cash is to fund research and development costs related to the development of our product candidates and to commercialize tafasitamab. Our primary future funding requirements include the development and commercialization of our proprietary clinical pipeline (primarily tafasitamab) and the advancement of our earlier-stage, wholly owned or co-developed product candidates.

We believe that we have sufficient cash and cash equivalents and other financial assets (including cash invested in various financial assets as described above) to cover expected operating expenses for at least the next twelve months.

We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect. Additionally, the process of investigating product candidates in clinical trials and the process of commercializing a product are costly. Both the timing and progress of development trials as well as the success of commercialization cannot be predicted with certainty.

Since our product candidates are in various stages of development and the outcome of our activities is uncertain, we cannot estimate the amounts required to successfully complete the development and commercialization of our product candidates, or whether and when we will be profitable.

We may require additional capital for the further development of our existing product candidates, obtain regulatory approval, expand our commercial structures and finance our operations as a public company in the U.S. We may also need to raise additional funds on short notice to pursue other in-licensing or development activities related to additional product candidates. If we cannot generate revenues quickly enough to cover pipeline developments, we may finance future cash needs through public or private equity or bond offerings, including convertible bonds. Additional capital may not be available at reasonable terms, if at all. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our product candidates. If we raise additional capital through the issuance of debt or equity instruments, it could result in dilution to our existing shareholders, increased fixed payment obligations, or the securities may have rights senior to those of our ordinary shares or the ADSs. If we incur indebtedness, we could become subject to covenants that would restrict our operations and potentially impair our competitiveness, such as limitations on our ability to assume additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business.

Cash Flows

Net Cash Provided by/(Used in) Operating Activities

In the reporting year, the net cash used in operating activities amounted to € 80.1 million, primarily driven by the consolidated net loss of € 103.0 million, which was partially offset by non-cash expenses of € 3.1 million, and changes in operating assets and liabilities and taxes paid of € 19.8 million. The consolidated net loss of € 103.0 million was largely due to expenses we incurred to fund our ongoing operations, particularly cost of sales, research and development expenses, selling expenses and general and administrative expenses. The main contributors to non-cash charges were expenses for share-based payment of € 6.7 million and depreciation and amortization of tangible and intangible assets and of right-of-use assets of € 6.2 million, offset by recognition of

contract liabilities of € 7.4 million. Changes in operating assets and liabilities for 2019 consisted primarily of an increase in accounts payable and accruals by € 13.2 million, contract liabilities in the amount of € 8.1 million incurred during the year as well as a decrease in accounts receivable by € 2.7 million. This was offset by an increase in prepaid expenses and other assets by € 4.4 million. The increase in external laboratory services outstanding at year-end, primarily related to tafasitamab, was the primary driver of the higher trade payables and accrued liabilities. The contract liability incurred during the year was largely related to prepayments received from contract partners. The decrease in accounts receivable was due to a comparatively lower level of receivables outstanding at year-end. The increase in prepaid expenses and other stemmed mainly from higher prepayments and higher receivables due from tax authorities from input tax surplus.

In the prior year, the net cash used in operating activities amounted to € 33.3 million, primarily driven by the consolidated net loss of € 56.2 million, which was partially offset by non-cash expenses of € 27.4 million, and changes in operating assets and liabilities and taxes paid of € 4.5 million. The consolidated net loss of € 56.2 million was largely due to expenses we incurred to fund our ongoing operations, particularly research and development expenses, selling expenses and general and administrative expenses. The main contributors to non-cash charges were impairment on intangibles assets in the amount of € 24.0 million, expenses for share-based payment of € 5.6 million and depreciation and amortization of tangible and intangible assets of € 3.8 million, offset by an income tax benefit of € 4.3 million. Changes in operating assets and liabilities for 2018 consisted primarily of an increase in accounts receivable by € 6.6 million and a decrease in other liabilities by € 2.7 million, offset by contract liabilities in the amount of € 2.4 million incurred during the year as well as an increase in accounts payable and accruals by € 1.9 million. The increase in accounts receivable was due to a comparatively higher level of receivables outstanding at year-end. The decrease in other liabilities stemmed mainly from the payment of tax liabilities and the repayment of a governmental cost subsidy. The contract liability incurred during the year was largely related to annual license fees. The increase in external laboratory services outstanding at year-end was the primary driver of the higher trade payables and accrued liabilities.

In 2017, net cash used in operating activities was € 38.4 million, primarily driven by the consolidated net loss of € 69.8 million incurred to fund our ongoing operations, in particular research and development expenses and general and administrative expenses. Changes in operating assets and liabilities consisted primarily of € 18.4 million in deferred revenue in 2017, a € 7.8 million increase in accounts payable and accruals and a € 3.1 million increase in other liabilities. The deferred revenue in 2017 related to annual license fees. The increase in accounts payable and accruals was the result of an increase in external laboratory services still outstanding at the end of the year primarily related to tafasitamab. Most of the increase in other liabilities originated from a deferral of the rent-free period under our rental agreement for our headquarters.

Net Cash Provided by/(Used in) Investing Activities

In 2019, net cash provided by investing activities was € 78.6 million, primarily driven by proceeds from the sale of financial assets in the amount of € 453.0 million, of which € 399.8 million were classified at amortized cost, partially offset by the purchase of financial assets in the amount of € 355.9 million, of which € 327.6 million were classified at amortized cost. Cash provided by investing activities primarily related to shifts in the composition in our investment portfolio as financial assets matured and were sold and new, similar financial assets were purchased. Additionally, in 2019, € 15.0 million were used to purchase a minority interest of 13.4% in Vivoryon Therapeutics AG.

In the prior year, net cash used in investing activities was € 177.3 million, primarily driven by the purchase of financial assets in the amount of € 451.3 million, of which € 366.8 million were classified at amortized cost, partially offset by proceeds from the sale of financial assets in the amount of € 276.4 million, of which € 150.0 million were classified at amortized cost. Cash used in investing activities primarily related to the investment of the proceeds from our initial public offering on the Nasdaq as well as a shift in the composition in our investment portfolio as financial assets matured and were sold and new, similar financial assets were purchased.

In 2017, net cash provided by investing activities was € 32.9 million, primarily driven by proceeds from the sale of financial assets in the amount of € 210.2 million, partially offset by the purchase of financial assets in the amount of € 164.4 million, of which € 108 million were classified as loans and receivables. Cash provided by investing activities primarily related to a shift in the composition in our investment portfolio as financial assets matured and were sold and new, similar financial assets were purchased.

Net Cash Provided by/(Used in) Financing Activities

In 2019, net cash provided by financing activities was € 0.4 million and mainly related to proceeds from the exercise of convertible bonds by related parties in the amount of € 3.7 million offset by lease and interest payments in the amount of € 3.4 million.

In the prior year, net cash provided by financing activities was € 179.5 million and mainly related to the gross proceeds from our initial public offering on the Nasdaq of € 193.6 million offset by the related issuance costs of € 15.0 million.

In 2017, net cash provided by financing activities was € 8.2 million and mainly related to exercises of convertible bonds by members of the Management Board and the Senior Management Group.

Investments

In 2019, MorphoSys invested € 3.1 million in property, plant and equipment (2018: € 1.8 million), mainly laboratory equipment (i.e. machinery) and tenant fixtures. Depreciation of property, plant and equipment in 2019 increased to € 2.0 million (2018: € 1.8 million).

The Company invested € 0.6 million in intangible assets in 2019 (2018: € 0.6 million). Amortization of intangible assets was below the prior year's level and amounted to € 1.5 million in 2019 (2018: € 1.9 million). In 2019, impairment of € 1.6 million was recognized on in-process R&D programs and patents. In 2018, impairment of € 15.1 million was recognized on the in-process R&D programs, thereof € 13.4 million on the MOR107 program.

Net Assets

Assets

Total assets on December 31, 2019 amounted to € 496.4 million and were € 42.4 million lower than on December 31, 2018 (€ 538.8 million). Current assets fell by € 85.2 million, mainly driven by a decline in financial assets and cash and cash equivalents.

On December 31, 2019, a total of € 20.5 million (December 31, 2018: € 44.6 million) was invested in various money market funds and reported under the item "financial assets at fair value, with changes recognized in profit or loss." The item "other financial assets at amortized cost" include financial instruments totaling € 207.7 million (December 31, 2018: € 268.9 million) and consist primarily of term deposits with fixed or variable interest rates and corporate bonds.

Non-current assets rose by € 42.8 million to € 192.7 million (December 31, 2018: € 149.9 million), primarily as a result of the initial recognition of the item "right-of-use, net" in the amount of € 43.2 million due to the application of the new IFRS 16 standard on leases and the increase in "investments at fair value, with changes recognized in other comprehensive income" by € 13.8 million due to a minority interest of 13.4% in Vivoryon Therapeutics AG, acquired in October 2019. This increase was offset by a decrease in non-current other financial assets at amortized cost of € 10.8 million.

Liabilities

Current liabilities increased from € 45.9 million on December 31, 2018 to € 61.6 million on December 31, 2019, primarily as a result of an increase of € 12.3 million in the item "accounts payable and accruals" and the initial recognition of the item "lease liabilities, current portion" in the amount of € 2.5 million due to the application of the new IFRS 16 standard on leases.

Non-current liabilities (December 31, 2019: € 40.2 million; December 31, 2018: € 4.5 million) increased primarily due to the initial recognition of the item "lease liabilities, net of current portion" in the amount of € 40.0 million as a result of the application of the new IFRS 16 standard for leases.

Stockholders' Equity

As of December 31, 2019, Group equity totaled € 394.7 million compared to € 488.4 million on December 31, 2018. As of December 31, 2019, the Company's equity ratio amounted to 80% compared to 91% on December 31, 2018.

The number of shares issued totaled 31,957,958 as of December 31, 2019, of which 31,732,158 shares were outstanding (December 31, 2018: 31,839,572 shares issued and 31,558,536 shares outstanding). Common stock was higher as a result of the exercise of 118,386 convertible bonds granted to the Management Board and former employees. The weighted-average exercise price of the convertible bonds was € 31.88.

As of December 31, 2019, the Company held 225,800 shares of treasury stock valued at € 8,357,250, representing a decline of € 2,041,523 compared to December 31, 2018 (281,036 shares, € 10,398,773). The decline was the result of the transfer of 52,328 shares of treasury stock valued at € 1,934,043 to the Management Board and Senior Management Group from the performance-based 2015 Long-Term Incentive plan (LTI). The vesting period for this LTI plan expired on April 1, 2019 and beneficiaries had the option to receive a total of 52,328 shares by December 31, 2019. In addition, 2,908 shares of treasury stock valued at € 107,480 were transferred to related parties.

CONTRACTUAL OBLIGATIONS

See "Item 5.F. Tabular Disclosure of Contractual Obligations."

FINANCIAL OPPORTUNITIES

Exchange rate and interest rate developments can positively or negatively affect our financial results. Interest rate and financial market developments are continuously monitored to promptly identify and take advantage of opportunities.

C. Research and Development, Patents and Licenses

See "Item 4.A. History and Development of the Company" and "Item 4. B. Business Overview."

D. Trend Information

Changes in the Business Environment

In January 2020, the International Monetary Fund (IMF) was forecasting global economic growth in 2019 to reach 2.9% (report "World Economic Outlook January 2020"). This slight decline is primarily a reflection of the negative surprises in economic activity in some emerging market economies, particularly India, which led to a reassessment of the growth outlook for the coming two years. In a few cases, this reassessment also reflected the impact of increasing social unrest.

The IMF's growth forecast for the advanced economies in 2019 was 1.7% (2018: 2.2%), and the forecast for the emerging and developing economies was 3.7% (2018: 4.5%). The IMF's forecast for growth in the euro zone in 2019 was 1.2% (2018: 1.9%), next to 0.5% for Germany (2018: 1.5%); 6.1% for China (2018: 6.6%), 1.1% for Russia (2087: 2.3%) and 1.2% for Brazil (2018: 1.3%).

When managing its business activities, MorphoSys takes a number of potential macroeconomic risks and opportunities into consideration. Our business activities remained unaffected by the volatility in any one country.

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

Currency Development

The EUR/USD dollar exchange rate remained in a range of 1.09 to 1.11 until the end of December 2019. Deteriorating economic data, unresolved trade conflicts between the U.S. and China and the U.S. and the EU and the risk of an unregulated Brexit make it very difficult to forecast the EUR/USD exchange rate.

The majority of our business transactions are conducted in euros or U.S. dollars. As a result of our commercial and launch activities in the U.S., a decline in the euro versus the U.S. dollar would have a direct positive impact on our future operating income. Consequently, a stronger euro would reduce the royalty payments we receive—which are converted from U.S. dollars to euros—on sales of guselkumab (Tremfya®). We mitigate this risk in advance as much as possible with currency hedging transactions with maturities of 12 months or less.

Development of the Antibody Sector

In 2019, six new antibodies were approved by the FDA in the U.S. or the EMA in the EU, and regulatory filings were also reviewed for a further 13 novel antibody therapies. According to the article "Antibodies to Watch in 2020" published in the mAbs Journal, 79 new antibodies are currently in late-stage clinical development, compared to 62 antibodies in the previous year. Of the 79 antibodies, 39 are being developed for the treatment of cancer, and two of these are in late clinical phases. Our lead product candidate from our proprietary development, tafasitamab, was also included in this report.

We view the successful development and commercialization of the antibody segment as a positive signal and a confirmation of our strategy to focus our development activities on this class of drugs. Still, we cannot predict the clinical or market success of individual drug candidates.

E. Off-Balance Sheet Arrangements

OFF-BALANCE SHEET ARRANGEMENTS

We did not have, during 2019 and 2018, and we do not currently have, any off-balance sheet arrangements.

As of the date of this Annual Report, we do not have any off-balance sheet arrangements other than operating leases as described under "Item 5. Operating and Financial Review and Prospects—F. Tabular disclosure of contractual obligations" below

F. Tabular Disclosure of Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2019.

CONTRACTUAL OBLIGATIONS (DECEMBER 31, 2019)

	Payments due by period				
(in € thousands)	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Leases	50,858	3,515	6,730	6,730	33,883
Other	1,632	1,294	338	0	0

LEASE OBLIGATIONS

We enter into long-term leases for facilities, company cars and equipment. The majority of these leasing contracts can be renewed on a yearly or quarterly basis, and some agreements may be terminated prematurely.

OTHER COMMITMENTS

Other commitments may become due for future payments for outsourced studies. As of December 31, 2019, we expected to incur approximately € 164.7 million of expenses for outsourced studies, of which approximately € 64.4 million will be paid in the next twelve months. Additionally, if certain milestones are achieved in the Proprietary Development segment, for example, by filing an application for an investigational new drug, or IND, for specific target molecules, this may trigger regulatory and sales milestone payments to licensors of up to an aggregate of US$ 287 million. The next milestone payments of US$ 37.5 million are anticipated to occur in the next twelve months. No accruals have been recorded in our consolidated balance sheet for these amounts. They are also not included in the table above as the timing and payment are uncertain.

G. Safe Harbor

See “Forward Looking Statements.”

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

We are a German stock corporation and, in accordance with the German Stock Corporation Act, we have a two-tier board structure consisting of our Supervisory Board and a separate Management Board.

Our Supervisory Board supervises the policies of the Management Board and the general course of the affairs of our business. The Supervisory Board advises the Management Board and is guided by the interests of the business when performing its duties. The Management Board is in charge of managing us under the supervision of the Supervisory Board. The Management Board provides the Supervisory Board with such necessary information as the Supervisory Board requires to perform its duties.

Supervisory Board

As of December 31, 2019, our Supervisory Board consisted of seven members who oversee and advise the Management Board. The current Supervisory Board consists of professionally qualified members who represent our shareholders. The Chairman of the Supervisory Board (Dr. Marc Cluzel), coordinates the Board's activities, chairs the Supervisory Board meetings and represents the interests of the Supervisory Board externally. All Supervisory Board members are independent, as defined in the German Corporate Governance Code and the Nasdaq Listing Rules, and have many years of experience in the biotechnology and pharmaceutical industries. The Chairman of the Supervisory Board is not a former member of our Management Board. The members of the Supervisory Board and its committees are listed in the table below.

Name	Age	Term expires	Principal business activities performed outside of MorphoSys
Dr. Marc Cluzel (Chairman)	65	2021	Consultant & business professional; member of the board of directors of Moleac Pte. Ltd; member of the board of directors of Griffon Pharmaceuticals Inc.
Dr. Frank Morich (Deputy Chairman)	66	2020	Independent consultant of the life sciences and healthcare industries; member of the board of directors of Cue Biopharma Inc.
Michael Brosnan	65	2020	Consultant in the life sciences and healthcare industries
Sharon Curran	51	2021	Non-Executive Director in life sciences and healthcare industries; member of the board of directors of Circassia Pharmaceuticals plc.
Dr. George Golumbeski	62	2020	Business consultant in the life science and healthcare industries; chairman of the board of directors of Aura Biosciences Inc.; chairman of the board of directors of Carrick Therapeutics Ltd.; member of the board of directors of Enanta Pharmaceuticals Inc.; member of the board of directors of KSQ Therapeutics Inc.; member of the board of directors of Sage Therapeutics; member of the board of directors of Shattuck Labs Inc.; chairman of the board of directors Verseau Therapeutics
Wendy Johnson	68	2020	Chief Operating Officer, Reneo Pharmaceuticals Inc.; managing director of Gemini Advisors
Krisja Vermeylen	57	2021	Business consultant in the life science and healthcare industries; member of the advisory board of Spencer Stuart

The following is a brief summary of the business experience of the members of our Supervisory Board:

Dr. Marc Cluzel has been a member of our Supervisory Board since 2012 and Chairman of the Supervisory Board since the AGM 2018. He was Executive Vice President of Product Development at HÙYÀ Bioscience International, LLC from 2011 to 2012. Prior to that, between 1993 and 2010, he held several positions at Sanofi-Aventis, including Executive Vice President of Research and Development. Dr. Cluzel received his Ph.D. in Biochemistry and his Doctor of Medicine from the University of Montpellier, France.

Dr. Frank Morich has been a member of our Supervisory Board since 2015. Dr. Morich also serves as a consultant in the life sciences and healthcare industries. Dr. Morich previously served as Chief Commercial Officer (2011 to 2014) and Executive Vice President International Operations (2010 to 2011) at Takeda Pharmaceutical. Prior to that, Dr. Morich served as Chief Executive Officer of NOXXON Pharma AG (2008 to 2010), Chief Executive Officer and member of the Board of Directors of Innogenetics N.V. (2005 to 2007), and Chief Executive Officer and Chairman of the Executive Board of AM Pharma B.V. (2004). Prior to that, Dr. Morich held several positions at Bayer, including member of the Board of Management of Bayer AG, Head of Global Product Development and Head of research and development. Dr. Morich graduated in medical studies at the University of Marburg, Germany.

Michael Brosnan has been a member of our Supervisory Board since 2018. Currently he serves as a consultant in the life sciences and healthcare industries. Mr. Brosnan has over 40 years of experience in finance, controlling and auditing. From 2010 to 2019, he has served as Chief Financial Officer of Fresenius Medical Care Management AG, a company with a dual listing in Germany (Frankfurt) and the United States (NYSE). Over the last 20 years, he has worked in various leadership and executive positions for Fresenius Medical Care in the United States and Germany. Prior to joining Fresenius Medical Care, he held senior financial positions at Polaroid Corporation and was an audit partner at KPMG. Mr. Brosnan holds a degree in Business Administration and Accounting from Northeastern University, Boston, Massachusetts, USA.

Sharon Curran has been elected as a new member of our Supervisory Board during the AGM 2019. Ms. Curran currently serves as a Non-Executive Director in the life sciences and healthcare industries. Prior to that, Ms. Curran worked for AbbVie Inc., Illinois, USA as Vice President, Global Specialty Franchise and Customer Excellence and has also held a number of other senior positions in her career including Vice President Global Marketing Specialty, AbbVie; Global Brand and Commercial Director, Abbott MBO and Division Head, Eli Lilly UK & Ireland. Ms. Curran brings extensive commercial and specialty pharmaceutical experience to the Company. She holds an Executive Master of Science, Business Administration from Trinity College Dublin, Ireland, and a Bachelor of Science in Biotechnology from Dublin City University, Ireland.

Dr. George Golumbeski has been a member of our Supervisory Board since 2018. He currently serves as a self-employed business consultant in the life science and healthcare industries. Prior to that Dr. Golumbeski held the position as President of Grail Inc., and from 2017 to April 2018 he served as an Executive Vice President & Executive Advisor for Innovation at Celgene Corporation. Over the last 27 years, he has held leadership roles in business and corporate development, partnering and M&A with global pharmaceutical and life science companies, including Celgene Corporation, Novartis, Elan Corporation (today: Perrigo), and Schwarz Pharma (today: UCB). Dr. Golumbeski obtained his Doctorate in Genetics from the University of Wisconsin in Madison, USA and holds a degree in Biology from the University of Virginia, Charlottesville, USA.

Wendy Johnson has been a member of our Supervisory Board since 2015. Mrs. Johnson currently serves as the Chief Operating Officer at Reneo Pharmaceuticals and as Managing Director of Gemini Advisors. Mrs. Johnson was the Founder, President and Chief Executive Officer of Aires Pharmaceuticals, Inc. from 2007 to 2014. Mrs. Johnson was also a Venture Partner in ProQuest Investments (2005 to 2014), Senior Vice President corporate development at Salmedix, Inc. (2001 to 2005), Vice President Business Development at Women First HealthCare (1998 to 2000), Vice President Corporate Development & Operations at Selective Genetics (1994 to 1998), Vice President Business Development & Regulatory Affairs at Cytel Corp. (1990 to 1994), Manager business development at Synbiotics Corp. (1988 to 1990) and International Business Development & Regulatory Affairs Manager at Murex Corp. (1986 to 1988). Prior to that, Mrs. Johnson served as Assistant Director at the Center for Devices & Radiological Health at the U.S. Food and Drug Administration from 1976 to 1986. Mrs. Johnson graduated with a Master in Business Administration from Loyola Marymount University, USA, a Master in Science in Clinical Microbiology from Hahnemann University Hospital, USA and a Bachelor of Science in Microbiology from the University of Maryland, USA.

Krisja Vermeylen has been a member of our Supervisory Board since 2017. From 1997 to October 2018, Mrs. Vermeylen held several positions at Novo Nordisk, including the position as Senior Vice President

Corporate People & Organization. Prior to that, she held several positions at Pharmacia and Upjohn. Mrs. Vermeylen graduated with a Master in Pharmaceutical Sciences from the University of Antwerp, Belgium.

Management Board

The following table sets forth the names and function of the current members of our Management Board and their ages and terms:

Name	Age	Term ends	Position
Dr. Jean-Paul Kress	54	August 31, 2022	Chief Executive Officer
Dr. Simon Moroney	60	August 31, 2019	Former Chief Executive Officer
Jens Holstein	56	June 30, 2023	Chief Financial Officer
Dr. Malte Peters	57	June 30, 2022	Chief Development Officer
Dr. Markus Enzelberger	50	February 29, 2020	Former Chief Scientific Officer

A schedule of responsibilities currently defines the different areas of responsibility as follows:

- ***Dr. Jean-Paul Kress***, Chief Executive Officer and Chairman of the Management Board (**from September 1, 2019 until February 29, 2020**): Strategy and Planning, Compliance & Quality Assurance, Internal Audit, Human Resources, Business Development & Portfolio Management, Legal, Commercial Planning and Processes, the coordination of individual areas of the Management Board, representation of the Management Board vis-à-vis the Supervisory Board. **Since March 1, 2020**: Strategy and Planning, Compliance & Quality Assurance, Internal Audit, Human Resources, Business Development & Portfolio Management, Legal and Intellectual Property, Technical Operations (CMC, Supply Chain), Commercial Planning, the coordination of individual areas of the Management Board, representation of the Management Board vis-à-vis the Supervisory Board.
- ***Dr. Simon Moroney***, Former Chief Executive Officer (**until August 31, 2019**): Strategy and Planning, Compliance & Quality Assurance, Internal Audit, Human Resources, Business Development & Portfolio Management, Legal, Commercial Planning, the coordination of individual areas of the Management Board, representation of the Management Board vis-à-vis the Supervisory Board.
- ***Jens Holstein***, Chief Financial Officer: Accounting & Tax, Controlling & Risk Management, Corporate Development and M&A, IT, Technical Operations, Procurement & Logistics, Corporate Communications & Investor Relations and Environmental Social Governance (ESG). **Since March 1, 2020**: Accounting & Tax, Controlling, Internal Controls and Risk Management, Corporate Development and M&A, IT, Facilities, Procurement & Logistics, Corporate Communications & Investor Relations, Environmental Social Governance (ESG), Lanthio Pharma and Alliance Management.
- ***Dr. Markus Enzelberger (*****until February 29, 2020*****)***, Chief Scientific Officer: Discovery Alliances & Technologies, CMC & Protein Sciences, Alliance Management, Supply Chain, Intellectual Property, Lanthio Pharma.
- ***Dr. Malte Peters***, Chief Development Officer: Preclinical Research, Project Management, Clinical Development, Clinical Operations, Drug Safety & Pharmacovigilance, Regulatory Affairs. **Since March 1, 2020**: Research (Discovery Alliances & Technologies, Global Program Team Discovery, Protein Sciences), Pre-clinical Development, Clinical Development, Clinical Operations, Biostatistics & Data Management, Drug Safety & Pharmacovigilance, Regulatory Affairs, Medical Affairs and Global Program Teams.

Dr. Jean-Paul Kress (as of September 1, 2019)

Dr. Jean-Paul Kress joined MorphoSys in September 2019. He has a strong track record of commercial and (operational) strategic leadership in various senior management roles in North America and Europe. His focus has been on operations, corporate development and especially the commercialization of innovative products

addressing unmet medical needs across diverse disease indications. Prior to joining MorphoSys, Dr. Kress served as President and Chief Executive Officer at Syntimmune, a clinical-stage biotechnology company developing differentiated drug candidates in a wide range of autoimmune diseases, which was acquired by Alexion in November 2018. Among other assignments, he was Executive Vice President, President of International and Head of Global Therapeutic Operations at Biogen, and Senior Vice President, Head of North America at Sanofi Genzyme, where he was instrumental in launching Dupilumab, the first biologic agent approved in atopic dermatitis. Previously, he was President and Chief Executive Officer of Sanofi Pasteur MSD, and gained further experience in positions at Gilead, Abbvie and Eli Lilly. Dr. Kress received an M.D. degree from Faculté Necker-Enfants Malades in Paris, and graduate and post-graduate degrees in biochemistry and in molecular and cellular pharmacology from Ecole Normale Supérieure in Paris.

Dr. Jean-Paul Kress is also a member of the Board of Directors at Erytech Pharma SA, Lyon, (publicly listed company).

Jens Holstein

Jens Holstein joined MorphoSys in May 2011. Prior to his time at MorphoSys, Mr. Holstein served as regional Chief Financial Officer for the EME (Europe/Middle East) region for Fresenius Kabi AG and as managing director of Fresenius Kabi Deutschland GmbH. Over almost 16 years at Fresenius he had held a variety of financial and general management positions. From 2006 to 2010, he was Regional Chief Financial Officer of Fresenius Kabi Asia Pacific Ltd., based in Hong Kong. Prior to this appointment, Mr. Holstein was Managing Director of Fresenius ProServe GmbH and Finance Director and Labor Director of Fresenius's subsidiary Wittgensteiner Kliniken AG. Earlier positions within Fresenius included General Manager of Hospitalia Care GmbH, Commercial Manager of the Projects & Service Business Unit of Fresenius AG and Commercial Manager of Hospitalia International GmbH. Prior to joining Fresenius, Mr. Holstein spent several years in the consulting industry, with positions in Frankfurt and London. Mr. Holstein holds a diploma in Business Administration from the University of Münster, Germany.

Jens Holstein is also a member of the Supervisory Board of InflaRx N.V., Jena, Germany (publicly listed company).

Dr. Malte Peters

Dr. Peters joined MorphoSys in March 2017. Prior to his time at MorphoSys, Dr. Peters served as the Global Head of Clinical Development of the Biopharmaceuticals Business Unit at Sandoz International. Prior to this position, he served as Clinical Head and Site Head for Basel and East Hanover in the Department of Oncology Translational Medicine at Novartis. Dr. Peters held teaching appointments in Internal Medicine and Biochemistry at the University of Mainz, Germany. Dr. Peters also served as Research Scientist at the Amgen Research Institute in Toronto, Canada, as Director of Cancer Research at Merck KGaA and as Medical Director at Micromet AG. Dr. Peters received his Doctor of Medicine from the Freie Universität Berlin, Germany, and was trained at the Universities of Padova, Italy, and Bochum and Berlin, Germany. After scientific work at different universities he habilitated in Internal Medicine at the University of Mainz, Germany.

Dr. Malte Peters is also a member of the Board of Directors of Targo Therapeutics, Cambridge, MA, USA (not publicly listed company).

Dr. Markus Enzelberger (until February 29, 2020)

Dr. Enzelberger joined MorphoSys in March 2002 and served in different leadership positions within R&D. Since 2012 he acted as Senior Vice President Discovery, Alliances and Technologies, taking responsibility for discovery programs for our partners and our proprietary pipeline as well as for the technology development. He was appointed Interim-Chief Scientific Officer effective April 15, 2017 and Chief Scientific Officer effective

November 1, 2017. His areas of responsibility include discovery, technology development, protein sciences, manufacturing and alliance management. Dr. Enzelberger is co-inventor of the HuCAL Platinum and the Ylanthia libraries and worked on Tremfya® and many other programs within our pipeline. Before joining MorphoSys, Dr. Enzelberger completed a post-doctorate with Steven Quake at the California Institute of Technology on microfluidic biological assays, where he co-invented the key technologies of Fluidigm. Dr. Enzelberger studied chemistry and was awarded a doctor of natural sciences by the Technical University of Stuttgart, Germany.

Dr. Markus Enzelberger is also a member of the Advisory Board of SHS Gesellschaft für Beteiligungsmanagement mbH, Tuebingen, Germany (not publicly listed company).

In November 2019, Dr. Enzelberger decided to step down as CSO and member of the company's Management Board to explore new opportunities. Dr. Enzelberger left MorphoSys on February 29, 2020. Following Dr. Enzelberger's departure, the MorphoSys research organization will be integrated into the Clinical Development segment under the lead of Dr. Malte Peters, Chief Development Officer.

Service Agreements

The service agreements with our Management Board members generally have a total term of three years. The current service agreement of our Management Board member Dr. Kress runs until August 31, 2022. The current service agreement of our Management Board member Jens Holstein runs until June 30, 2023. The current service agreement of our Management Board member Dr. Malte Peters runs until June 30, 2022. The service agreement of our former Management Board member Dr. Markus Enzelberger ended on February 29, 2020.

In the event of a change of control, our Management Board members are entitled to exercise a right to terminate their service contracts and receive any outstanding fixed salary and annual bonus for the remainder of the fixed contract period, however, at least 200% of the fixed yearly gross salary and the annual bonus.

B. Compensation

The following section presents the principles, structure and amount of Management Board and Supervisory Board remuneration. This disclosure complies with the legal provisions and considers the recommendations of the German Corporate Governance Code.

MANAGEMENT BOARD REMUNERATION

The Management Board's remuneration system is intended to provide an incentive for performance-oriented and sustainable corporate management. Therefore, the aggregate remuneration of the Management Board members consists of different components: fixed components, an annual cash bonus based on the achievement of corporate targets (Short-Term Incentive—STI), a variable remuneration component with long-term incentives (Long-Term Incentive—LTI) and other remuneration components. Variable remuneration components with long-term incentives consist of performance shares and stock options granted within the scope of performance share plans and stock options plans. In prior years, convertible bonds were also granted to members of the Management Board within the scope of a convertible bond program from the year 2013. Management Board members also receive fringe benefits in the form of non-cash benefits, mainly the use of a company car and the payment of insurance premiums.

All remuneration packages are reviewed annually for their scope and appropriateness by the Remuneration and Nomination Committee and compared to the results of an annual Management Board remuneration analysis. The amount of compensation paid to Management Board members highly depends on their individual areas of responsibility, the Company's economic situation and success and its business prospects versus its competition. All decisions concerning adjustments to remuneration packages are made by the entire Supervisory Board. The total remuneration package and the Management Board's index-linked pension scheme were comprehensively reviewed in 2019 and adjusted by the Supervisory Board.

OVERVIEW

In the 2019 financial year, the total benefits granted to the members of the Management Board (bearing in mind that Dr. Simon Moroney left as Chair of Management Board at the end of August 31, 2019, and Dr. Jean-Paul Kress became the new Chair of the Management Board as of September 1, 2019) amounted to € 11,308,876 (2018: € 6,904,508). Of the total compensation granted for 2019, € 7,311,463 was cash compensation and € 3,997,413, or 35%, was personnel expenses from share-based variable compensation with long-term incentive (performance shares and stock options).

The total amount of benefits paid to the Management Board in financial year 2019 was € 14,128,615 (2018: € 7,505,917). In addition to cash compensation of € 4,104,582 (2018: € 3,189,972) paid in the financial year, this amount includes, above all, the relevant value of the transfer of treasury shares from a performance-based share plan under German tax law in the amount of € 1,941,794 (2018: € 626,606). As convertible bonds were also exercised in 2019 and 2018, the total amount for 2019 also included benefits from the exercise of convertible bonds in the amount of € 8,082,239 (2018: € 2,205,535).

As of April 15, 2019, a total of 19,815 treasury shares from the 2015 Performance Share Plan for the Management Board vested as a result of the expiration of the vesting period for this LTI plan. The beneficiaries had the option to call these shares within a six-month period ending on October 14, 2019. This call period was extended in the summer to December 31, 2019. All transactions by members of the Management Board in connection with the trading of MorphoSys shares were reported as required by law and are published in the Corporate Governance Report of the 2019 Annual Report as well as on the Company’s website.

In accordance with the requirements of Section 4.2.5 (3) of the German Corporate Governance Code, the tables that follow provide detailed mandatory information on the remuneration of the individual Management Board members.

Please note that the tables that follow are provided in the context of the Corporate Governance Report of the 2019 Annual Report and differ from the information about Management Board remuneration presented in the Notes of this report (Item 7.5). These differences are due to the differing presentation requirements under the German Corporate Governance Code and IFRS.

	Dr. Jean-Paul Kress Chief Executive Officer (since September 1, 2019)			
in €	2018	2019	2019 (Minimum)	2019 (Maximum)
Fixed Compensation	0	233,333	233,333	233,333
Fringe Benefits	0	93,551	93,551	93,551
Total Fixed Compensation	0	326,884	326,884	326,884
One -Year Variable Compensation [2]	0	196,000	0	204,167
One-Time Bonus [3]	0	1,000,000	0	1,000,000
Multi-Year Variable Compensation:				
2018 Long-Term Incentive Program [4] (Vesting Period 4 Years)	0	0	0	0
2019 Long-Term Incentive Program [4] (Vesting Period 4 Years)	0	0	0	0
2018 Stock Option Plan [4] (Vesting Period 4 Years)	0	0	0	0
2019 Stock Option Plan [4] (Vesting Period 4 Years)	0	2,000,013	0	8,000,052
Total Variable Compensation	0	3,196,013	0	9,204,219
Service Cost	0	44,965	44,965	44,965
Total Compensation	0	3,567,862	371,849	9,576,068

	Jens Holstein Chief Financial Officer			
in €	2018	2019	2019 (Minimum)	2019 (Maximum)
Fixed Compensation	402,235	418,324	418,324	418,324
Fringe Benefits	46,725	44,090	44,090	44,090
Total Fixed Compensation	448,960	462,414	462,414	462,414
One -Year Variable Compensation [2]	337,877	351,392	0	366,034
One-Time Bonus [3]	358,857	500,000	0	500,000
Multi-Year Variable Compensation:				
2018 Long-Term Incentive Program [4] (Vesting Period 4 Years)	201,463	0	0	0
2019 Long-Term Incentive Program [4] (Vesting Period 4 Years)	0	220,645	0	882,580
2018 Stock Option Plan [4] (Vesting Period 4 Years)	197,065	0	0	0
2019 Stock Option Plan [4] (Vesting Period 4 Years)	0	220,634	0	882,536
Total Variable Compensation	1,095,262	1,292,671	0	2,631,150
Service Cost	111,233	114,224	114,224	114,224
Total Compensation	1,655,455	1,869,309	576,638	3,207,788

	Dr. Malte Peters Chief Development Officer			
in €	2018	2019	2019 (Minimum)	2019 (Maximum)
Fixed Compensation	397,800	413,712	413,712	413,712
Fringe Benefits	30,613	32,892	32,892	32,892
Total Fixed Compensation	428,413	446,604	446,604	446,604
One -Year Variable Compensation [2]	334,152	347,518	0	361,998
One-Time Bonus [3]	354,900	500,000	0	500,000
Multi-Year Variable Compensation:				
2018 Long-Term Incentive Program [4] (Vesting Period 4 Years)	201,463	0	0	0
2019 Long-Term Incentive Program [4] (Vesting Period 4 Years)	0	220,645	0	882,580
2018 Stock Option Plan [4] (Vesting Period 4 Years)	197,065	0	0	0
2019 Stock Option Plan [4] (Vesting Period 4 Years)	0	220,634	0	882,536
Total Variable Compensation	1,087,580	1,288,797	0	2,627,114
Service Cost	76,190	77,787	77,787	77,787
Total Compensation	1,592,183	1,813,188	524,391	3,151,505

	Dr. Markus Enzelberger Chief Scientific Officer (until February 29, 2020)			
in €	2018	2019	2019 (Minimum)	2019 (Maximum)
Fixed Compensation	321,300	334,152	334,152	334,152
Fringe Benefits [1]	31,211	135,848	135,848	135,848
Total Fixed Compensation	352,511	470,000	470,000	470,000
One -Year Variable Compensation [2]	269,892	280,688	0	292,383
One-Time Bonus [3]	286,650	200,000	0	200,000
Multi-Year Variable Compensation:				
2018 Long-Term Incentive Program [4] (Vesting Period 4 Years)	201,463	0	0	0
2019 Long-Term Incentive Program [4] (Vesting Period 4 Years)	0	220,645	0	882,580
2018 Stock Option Plan [4] (Vesting Period 4 Years)	197,065	0	0	0
2019 Stock Option Plan [4] (Vesting Period 4 Years)	0	220,634	0	882,536
Total Variable Compensation	955,070	921,967	0	2,257,499
Service Cost	68,515	69,805	69,805	69,805
Total Compensation	1,376,096	1,461,772	539,805	2,797,304

	Dr. Simon Moroney [5] Chief Executive Officer (until August 31, 2019)			
in €	2018	2019	2019 (Minimum)	2019 (Maximum)
Fixed Compensation	542,074	372,154	372,154	372,154
Fringe Benefits [1]	32,654	1,114,906	1,114,906	1,114,906
Total Fixed Compensation	574,728	1,487,060	1,487,060	1,487,060
One -Year Variable Compensation [2]	455,343	328,859	328,859	328,859
One-Time Bonus in Shares [3]	483,616	0	0	0
Multi-Year Variable Compensation:				
2018 Long-Term Incentive Program [4] (Vesting Period 4 Years)	307,529	0	0	0
2019 Long-Term Incentive Program [4] (Vesting Period 4 Years)	0	336,791	0	1,347,164
2018 Stock Option Plan [4] (Vesting Period 4 Years)	300,770	0	0	0
2019 Stock Option Plan [4] (Vesting Period 4 Years)	0	336,772	0	1,347,088
Total Variable Compensation	1,547,258	1,002,422	328,859	3,023,111
Service Cost	158,788	107,263	107,263	107,263
Total Compensation	2,280,774	2,596,745	1,923,182	4,647,434

1 In 2019, fringe benefits for Dr. Simon Moroney and Dr. Markus Enzelberger include post-employment benefits granted.

2 The one-year variable compensation granted for the 2019 financial year represents the bonus accrual that will be paid in February 2020. The bonus granted for the 2018 financial year was paid in February 2019.

3 The one-time bonus granted in 2019 will be paid out in cash in February 2020. In the year 2018, the one-time bonus was granted as an allocation of treasury shares.

4 Stock-based compensation plans issued annually. The fair value was determined pursuant to the regulations of IFRS 2 “Share-based Payment.” For plans issued annually, the personnel expenses resulting from share-based payments are presented for the entire term at the time of issue.

5 Dr. Simon Moroney resigned from the Management Board and his function as Chief Executive Officer as of August 31, 2019. Due to his many years of service for the Company, the Supervisory Board decided that Dr. Simon Moroney will be entitled not only to a pro-rated share but to the entire long-term share-based compensation components granted (stock options and performance shares)—provided that all other conditions of the plans are fulfilled.

Payments During the Financial Year

in €	Dr. Jean-Paul Kress Chief Executive Office (since September 1, 2019)		Jens Holstein Chief Financial Officer		Dr. Malte Peters Chief Development Officer	
	2018	2019	2018	2019	2018	2019
Fixed Compensation	0	233,333	402,235	418,324	397,800	413,712
Fringe Benefits [1]	0	93,551	46,725	44,090	30,613	32,892
Total Fixed Compensation	0	326,884	448,960	462,414	428,413	446,604
One-time bonus award in shares	0	0	358,785	0	354,822	0
One -Year Variable Compensation [2]	0	0	273,899	337,877	206,903	334,152
Multi-Year Variable Compensation:						
2013 Convertible Bonds Program [3] (Vesting Period 4 Years)	0	0	2,205,535	2,016,750	0	0
2013 Long-Term Incentive Program [3] (Vesting Period 4 Years)	0	0	223,600	0	0	0
2014 Long-Term Incentive Program [3] (Vesting Period 4 Years)	0	0	0	724,223	0	0
Other [4]	0	0	0	0	0	0
Total Variable Compensation	0	0	3,061,819	3,078,850	561,725	334,152
Service Cost	0	44,965	111,233	114,224	76,190	77,787
Total Compensation	0	371,849	3,622,012	3,655,488	1,066,328	858,543

Dr. Markus Enzelberger Chief Scientific Officer (until February 29, 2020)		Dr. Simon Moroney [5,6] Chief Executive Office (until August 31, 2019)		Total	
2018	2019	2018	2019	2018	2019
321,300	334,152	542,074	372,154	1,663,409	1,771,675
31,211	31,365	32,654	319,701	141,203	521,599
352,511	365,517	574,728	691,855	1,804,612	2,293,274
286,600	0	483,597	0	1,483,804	0
121,688	269,892	368,144	455,343	970,634	1,397,264
0	0	0	6,065,489	2,205,535	8,082,239
51,594	0	351,412	0	626,606	0
0	182,047	0	1,035,524	0	1,941,794
0	0	0	0	0	0
459,882	451,939	1,203,153	7,556,356	5,286,579	11,421,297
68,515	69,805	158,788	107,263	414,726	414,044
880,908	887,261	1,936,669	8,355,474	7,505,917	14,128,615

1 2019, fringe benefits for Dr. Simon Moroney include payments for post-employment benefits.

2 The one-year variable compensation presented here represents the bonus paid in the respective financial year for the previous financial year.

3 The date and value of the payments is the date and value applicable under German tax law. Therefore, this table shows the non-cash benefits arising in the respective financial year from the difference between the exercise or conversion price and the stock market price at the time of exercising the convertible bonds or at the time of transfer of own shares from a performance share plan.

4 No compensation recovery claims against the Management Board existed in 2019 or 2018.

5 Dr. Simon Moroney resigned from the Management Board and his function as Chief Executive Officer as of August 31, 2019. Due to his many years of service for the Company, the Supervisory Board decided that Dr. Simon Moroney will be entitled not only to a pro-rated share but to the entire long-term share-based compensation components granted (stock options and performance shares)—provided that all other conditions of the plans are fulfilled.

6 In 2019, the figures presented for Dr. Simon Moroney do include remuneration from the exercise of convertible bonds and the transfer of treasury stock from a long-term incentive program after his resignation as Chief Executive Officer. These were granted for his activities as a member of the Management Board in previous years.

Fixed Remuneration and Fringe Benefits

The non-performance-related remuneration of the Management Board consists of fixed remuneration and additional fringe benefits, which mainly include the use of company cars and health subsidies or reimbursement of costs related to health, social security and occupational disability insurance. The new CEO Dr. Jean-Paul Kress, who assumed office as of September 1, 2019, received a one-time relocation allowance and reimbursement of costs for tax advice and remuneration advice in connection with the conclusion of his service contract. In addition, he receives an ongoing expense allowance for tax advice and maintaining two households. The Chief Financial Officer, Jens Holstein, also receives an expense allowance for maintaining two households.

Pension Expenses

The Company also provides payments to Management Board members equal to a maximum of 10% of the member's fixed annual salary and, in some cases, any payable taxes. This compensation is intended for the members' individual retirement plans. Additionally, all Management Board members participate in a pension plan in the form of a provident fund, which was introduced in cooperation with Allianz Pensions-Management e.V. The pension obligations of the provident fund will be met by Allianz Pensions-Management e.V. These pension obligations are not pension benefit plans.

Performance-Based Compensation (Short-Term Incentive—STI)

Members of the Management Board each receive performance-based compensation in the form of an annual bonus payment of up to 70% of the gross fixed salary with the full achievement of the member's targets. These bonus payments are dependent on the achievement of corporate targets specified by the Supervisory Board at the start of each financial year. They are typically based on targets such as the Company's performance and the progress of the partnered pipeline and the Company's proprietary pipeline. At the start of the year, the Supervisory Board assesses the degree to which corporate goals were achieved in the prior year and uses this information to determine the bonus. The bonus may not exceed 125% of the target amount (corresponding to 87.5% of the gross fixed salary). Performance-based compensation may be reduced to zero when targets are not achieved. The bonus for the 2019 financial year will be paid in February 2020.

Long-Term Incentive-Based Compensation (Long-Term Incentive—LTI)

In 2011, MorphoSys introduced a long-term incentive compensation plan (Performance Share Plan) for the Management Board and members of the Senior Management Group. The Performance Share Plan is based on the allocation of performance shares linked to the achievement of predefined performance targets over a four-year period. Depending on the degree of target achievement (as described in more detail below), the award of performance shares is met by transferring treasury shares of the Company.

The Supervisory Board decides each year on the number of performance shares to be granted to the Management Board. On April 1, 2019, the members of the Management Board (at that time consisting of Dr. Simon Moroney, Jens Holstein, Dr. Malte Peters, and Dr. Markus Enzelberger) were granted a total of 9,347 shares; each member of the Management Board was entitled to a specific number of shares. For further details, please refer to Note 7.3.5 and the explanations on stock repurchases in the Corporate Governance Report of the 2019 Annual Report.

At the time of allocation of shares for a given year, long-term performance targets are set by the Supervisory Board. For the 2019 Performance Share Plan, the objectives were defined as the absolute performance of the MorphoSys share price and the relative performance of the MorphoSys share price compared to a benchmark index; the benchmark index is comprised equally of the Nasdaq Biotechnology Index and the TecDAX. The absolute and relative share price performance is measured for each of the four assessment periods (one year each) by comparing the average share price of the last 30 trading days before the start of the assessment period in question (April 1) with the average share price of the last 30 trading days before the end of the assessment period. Participants in the performance share plan earn an entitlement to shares each year, which is valued on the basis of the absolute share price development as well as the relative share price development, i.e. a comparison of the MorphoSys share price development with the benchmark index. Depending on the absolute and relative share price performance during an assessment period, certain (absolute and relative) tiered levels of target achievement between 10% and 300% can be achieved. Exceeding the target achievement level by 300% does not grant entitlement to additional shares during the relevant assessment period (upper limit). At the end of the four-year term, an overall target achievement level should be calculated based on the absolute and relative degrees of target achievement achieved in each period. The average absolute and relative degrees of target achievement are weighted at 50%. Overall target achievement is capped at 200%.

The final number of performance shares allocated to the Performance Share Plan participants is determined at the completion of the program, which spans four years. This calculation incorporates the number of shares initially granted ("grants") multiplied with the total level of target achievement, as well as a "company factor" that is determined at the Supervisory Board's discretion. This company factor is a number between zero and two that is set by the Supervisory Board based on the Company's situation. The company factor's predefined default value is one (1).

In 2017, MorphoSys also introduced a stock option plan as a further instrument of long-term incentive compensation based on the resolution of the Annual General Meeting on June 2, 2016 (Agenda Item 9). As of April 1, 2019, the Management Board (at that time consisting of Dr. Simon Moroney, Jens Holstein, Dr. Malte Peters and Dr. Markus Enzelberger) were granted a total of 31,395 stock options; each member of the Management Board received a specific number of stock options, each of which entitles the Management Board member to receive up to two MorphoSys shares. On October 1, 2019, the new CEO Dr. Jean-Paul Kress (CEO since September 1, 2019) was granted stock options valued at € 1,500,000.00 and an additional one-time, sign-on stock option package worth € 500,000.00 for a total of 57,078 stock options. For further details, please refer to Note 7.1 and the explanations on stock repurchases in the Corporate Governance Report of the 2019 Annual Report.

In accordance with the resolution of the Annual General Meeting on June 2, 2016 (Agenda Item 9), the stock option plan's performance targets include the absolute price performance of MorphoSys shares and the relative price performance of MorphoSys shares compared to a benchmark index. The benchmark index consists of equal parts of the Nasdaq Biotechnology Index and the TecDAX. Each performance target has a 50% weighting in the achievement of the overall target.

To determine the degree of target achievement for each performance target, the four-year vesting period (until the first stock options can be exercised) is subdivided into four equal periods of one year each. An arithmetic mean is calculated based on the degree of target achievement in each of the four years. This, in turn, determines the final percentage of target achievement for each performance target. The final percentage of target achievement for each of the two performance targets are then added together and divided by two; the result being the overall level of target achievement.

For the performance target of absolute price performance, a comparison is made between the average stock price of MorphoSys shares for the preceding 30 trading days before the beginning and end of each year in the four-year period. If the MorphoSys share price increases, the degree of target achievement can reach up to 200% calculated on a straight-line basis for that particular year. Any further positive share price development of MorphoSys shares will not lead to any further increase in the performance target (cap).

For the performance target of relative price performance, the development of MorphoSys' share price measured by the average of the closing prices for the preceding 30 trading days before the beginning and end of each year in the four-year period is compared with the development of the benchmark index, measured by the average of the closing prices of the respective benchmark index during the last 30 trading days before the beginning and end of each year in the four-year period. Within the benchmark index, the Nasdaq Biotech Index and the TecDAX are each weighted at 50% so that the percentage price developments of each index for the respective annual period are added and divided by two. If MorphoSys shares outperform the benchmark index, the degree of target achievement calculated on a straight-line basis for the relevant period can reach up to 200%. Any further positive share price development of MorphoSys shares versus the benchmark index will not lead to any further increase in the performance target (cap).

Stock options can only be exercised when the four-year (minimum) vesting period prescribed by law has expired and the specified minimum value for the degree of target achievement of a performance target has been exceeded. The ultimate number of exercisable stock options is calculated by multiplying the number of initially granted stock options ("grants") by the total level of target achievement and rounding up to the nearest whole

number. The resulting ultimate number of stock options is limited to 200% of the initially granted number of stock options. The stock options are settled in the form of Company shares, with each stock option entitling the holder to one share for the final number of stock options.

When the stock options are exercised, the exercise price must be paid for each underlying share. The exercise price corresponds to the average closing auction price of MorphoSys shares in the 30 trading days prior to the day on which the stock options were issued.

The terms of the stock option plan provide further details on the granting and settlement of stock options, the issue of Company shares from Conditional Capital 2016-III and the administration of the stock option plan. For more information, please refer to the corresponding resolution of the Annual General Meeting on June 2, 2016 (Agenda Item 9).

Miscellaneous

No loans or similar benefits were granted during the reporting year to any member of the Management Board. The members of the Management Board also did not receive any benefits from third parties during the reporting year that were either promised or granted based on their position as members of the Management Board.

Payments Upon Termination of Management Board Service Contracts/Change of Control

In the event of the premature termination of a Management Board member's service contract, payments, including fringe benefits, are capped at 200% of the annual gross fixed salary and the annual bonus (severance cap), and no more than the remaining term of the service contract is remunerated. If the service contract is terminated for good cause for which the Management Board member is responsible, the member will not be entitled to any payments. The severance cap should be calculated on the basis of the total compensation for the previous full financial year and, if applicable, as well as on the expected total compensation for the current financial year.

If the service contract of a member of the Management Board ends by death, his or her spouse or life partner is entitled to the fixed monthly salary for the month of death and the following twelve months. In the event of a change of control, the members of the Management Board may terminate their service contracts for cause and demand payment of the fixed salary and annual bonus still outstanding up to the end of the service contract, but at least 200% of the annual gross fixed salary and annual bonus. Furthermore, in such a case, all stock options and performance shares granted vest immediately and may be exercised after the statutory vesting periods or blackout periods have expired. The following cases are considered to be changes of control: (i) MorphoSys transfers all or substantially all of its corporate assets to a non-affiliated company, (ii) MorphoSys merges with a non-affiliated company, (iii) MorphoSys AG as a controlled company becomes a party to an agreement pursuant to Section 291 of the German Stock Corporation Act (AktG) or MorphoSys is integrated in accordance with Section 319 of the German Stock Corporation Act (AktG), or (iv) a shareholder or third party directly or indirectly holds 30% or more of the voting rights of MorphoSys, or at least 30% of the voting rights are attributed to the shareholder or third party.

Non-compete clauses have also been agreed with the members of the Management Board for the period following their departure. In return, MorphoSys AG is required to make compensation payments for six months after termination of the service contract. The compensation payment amounts to 100% of the fixed salary for the duration of the non-compete clause.

Change In The Composition Of The Management Board

The following changes in the composition of the Management Board occurred in the 2019 reporting year: The (former) Chairman of the Management Board of the Company, Dr. Simon Moroney, resigned as member of the

Management Board and Chief Executive Officer of the Company at the end of August 31, 2019. By resolution of the Supervisory Board on June 24, 2019, Dr. Jean-Paul Kress was appointed as the new Chief Executive Officer for a term of three years, from September 1, 2019 to August 31, 2022. In November 2019, Dr. Markus Enzelberger announced his resignation as a member of the Management Board and the Chief Scientific Officer, effective February 29, 2020.

Age Limit

Members of the Management Board should not be older than 67 years at the time of their appointment. The Supervisory Board may, however, decide to make an exception to this rule in individual cases. The Management Board is currently complying with the age limit of 67 years.

Vote On The Remuneration System For The Management Board ("Say On Pay")

The current remuneration system for the members of the Management Board is unchanged from the remuneration system approved by the Annual General Meeting on May 19, 2011, with a majority of over 91%.

On January 1, 2020, the Act for the Implementation of the Second Shareholders' Rights Directive (ARUG II) came into force. According to the new regulations, the shareholders must resolve on a compensation system for the Management Board to be submitted by the Supervisory Board for the first time at the 2021 Annual General Meeting. MorphoSys is therefore deliberately refraining from presenting a compensation system for the Management Board at its upcoming Annual General Meeting in 2020. The Supervisory Board intends to use the year 2020 to develop a remuneration system for the Management Board.

Supervisory Board Remuneration

The remuneration of Supervisory Board members is governed by our Articles of Association and a corresponding Annual General Meeting resolution on Supervisory Board remuneration. The 2019 Annual General Meeting resolved to increase the annual basic remuneration of the Supervisory Board members. It was also resolved that participation by telephone or video in a Supervisory Board or committee meeting held by telephone or video conference should not result in a 50% reduction in the attendance fee. Participation in physical meetings in which a member of the Supervisory Board takes part by telephone or video shall continue to lead to a 50% reduction in the attendance fee. In the 2019 financial year, Supervisory Board members received fixed compensation, attendance fees and expense allowances for their participation in Supervisory Board and committee meetings. Each Supervisory Board member received annual fixed compensation (€ 98,210 for chairpersons, € 58,926 for vice chairpersons and € 39,284 for all other members) for their membership of the Supervisory Board. The chair receives € 4,000 for each Supervisory Board meeting chaired and the other members receive € 2,000 for each Supervisory Board meeting attended. For committee work, the committee chair receives € 12,000 and other committee members each receive € 6,000. Committee members also receive € 1,200 for their participation in a committee meeting. Supervisory Board members residing outside of Europe who personally take part in a Supervisory Board or committee meeting are entitled to a flat expense allowance of € 2,000 (plus any sales tax due) for additional travel time in addition to attendance fees and reimbursed expenses.

Supervisory Board members are also reimbursed for travel expenses and value-added taxes (VAT) on their compensation.

In the 2019 financial year, Supervisory Board members received a total of € 633,597 (2018: € 525,428) excluding the reimbursement of travel expenses. This amount consists of fixed compensation and attendance fees for participating in Supervisory Board and committee meetings.

No loans were granted to Supervisory Board members.

The table below details the Supervisory Board's remuneration.

	Fixed Compensation		Attendance Fees [1]		Total Compensation	
in €	2019	2018	2019	2018	2019	2018
Dr. Marc Cluzel	104,210	76,742	44,400	32,400	148,610	109,142
Dr. Frank Morich	70,926	61,004	33,600	23,200	104,526	84,204
Michael Brosnan	51,284	28,961	34,000	18,600	85,284	47,561
Sharon Curran [2]	27,791	-	11,600	-	39,391	-
Dr. George Golumbeski	51,284	28,961	31,600	25,200	82,884	54,161
Wendy Johnson	47,618	46,160	35,600	37,400	83,218	83,560
Krisja Vermeylen	57,284	49,916	32,400	24,400	89,684	74,316
Dr. Gerald Möller [3]	-	36,558	-	11,800	-	48,358
Klaus Kühn [3]	-	17,326	-	6,800	-	24,126
Total	410,397	345,628	223,200	179,800	633,597	525,428

1 The attendance fee contains expense allowances for the attendance at the Supervisory Board and the Committee meetings.
2 Sharon Curran joined the Supervisory Board of MorphoSys AG on June 14, 2019.
3 Dr. Gerald Möller and Klaus Kühn left the Supervisory Board of MorphoSys AG on May 17, 2018.

C. Board Practices

To ensure good corporate governance, a guiding principle of the cooperation between our Management Board and Supervisory Board is the open, comprehensive and regular communication of information. The dual board system prescribed by the German Stock Corporation Act clearly differentiates between a company's management and supervision. The responsibility of both boards is clearly stipulated by law and by the boards' bylaws and Articles of Association. The boards work closely together to make decisions and take actions for our benefit. Their stated objective is to sustainably increase our value.

Management Board members each have their own area of responsibility as defined in the schedule of responsibilities. They regularly report to their Management Board colleagues, their cooperation being governed by the bylaws. The Supervisory Board ratifies both the schedule of responsibilities and the bylaws. Management Board meetings are typically held weekly and are chaired by the Chief Executive Officer. During these meetings, resolutions are passed concerning dealings and transactions that, under the bylaws, require the approval of the entire Management Board. At least half of the Management Board's members must be present to pass a resolution. Management Board resolutions are passed by a simple majority and, in the event of a tied vote, the Chief Executive Officer's vote decides. For material events, each Management Board or Supervisory Board member can call an extraordinary meeting of the entire Management Board. Management Board resolutions can also be passed outside of meetings by an agreement made orally, by telephone or in writing (also by e-mail). Minutes are taken of each meeting of the full Management Board, are submitted for approval to the full Management Board and for signature by the Chief Executive Officer at the following meeting.

In addition to the regularly scheduled meetings, Management Board strategy workshops are also held for developing and prioritizing the Group-wide strategic objectives.

The Management Board promptly and comprehensively informs the Supervisory Board in writing and at Supervisory Board meetings about planning, business development, the Group's position, risk management and other compliance issues. Extraordinary meetings of the Supervisory Board are also called for material events. The Management Board involves the Supervisory Board in the strategy, planning and all fundamental Company issues. In addition to regular Supervisory Board meetings, a strategy meeting generally takes place between the Management Board and Supervisory Board once annually to discuss our strategic direction. The Management

Board's bylaws specify that material business transactions require the approval of the Supervisory Board. Detailed information on the cooperation of the Management Board and Supervisory Board and important items of discussion during the 2019 financial year can be found in the Report of the Supervisory Board.

The Supervisory Board holds a minimum of two meetings per calendar half-year and at least four meetings per full calendar year. The Supervisory Board has supplemented the Articles of Association with bylaws that apply to its duties. In accordance with these bylaws, the Chairperson of the Supervisory Board coordinates the activities of the Supervisory Board, chairs the Supervisory Board meetings and represents the interests of the Supervisory Board externally. The Supervisory Board typically passes its resolutions in meetings, but resolutions may also be passed outside of meetings in writing (also by e-mail), by telephone or video conference.

The Supervisory Board has a quorum when at least two-thirds of its members (including either the Chairperson or Deputy Chairperson of the Supervisory Board) take part in the vote. Resolutions of the Supervisory Board are generally passed with a simple majority unless the law prescribes otherwise. In the event of a tied vote, the vote of the Chairperson of the Supervisory Board is decisive.

Minutes are completed for Supervisory Board meetings and resolutions passed outside of meetings. A copy of the Supervisory Board's minutes is made available to all Supervisory Board members. The Supervisory Board conducts an efficiency evaluation regularly in accordance with the recommendations of the German Corporate Governance Code.

Composition and Working Practices of the Management Board and Supervisory Board Committees

The Management Board has not formed any committees.

The Supervisory Board has established three permanent committees: the Audit Committee, the Remuneration and Nomination Committee and the Science and Technology Committee. The members of the three committees formed by the Supervisory Board are professionally qualified.

In addition to the three permanent committees, an ad-hoc deal committee was established in October 2019 to act as sounding board with regard to the tafasitamab partnership discussions, advise on deal terms and make the negotiation process and involvement of the Supervisory Board more efficient in that regard. The ad-hoc deal committee automatically ended with the execution of the Global Collaboration and License Agreement with Incyte in January 2020. The members of the deal committee were Dr. George Golumbeski and Wendy Johnson.

Audit Committee

The main task of the Audit Committee is to support the Supervisory Board in fulfilling its supervisory duties with respect to the accuracy of the annual and consolidated financial statements, the activities of the auditor and internal control functions, such as risk management, compliance and internal auditing. The Audit Committee submits a recommendation to the Supervisory Board for the election at the Annual General Meeting of an independent auditor. The members of the Audit Committee until May 22, 2019 were Michael Brosnan (Chairperson), Wendy Johnson and Krisja Vermeylen. The members of the Audit Committee since May 22, 2019 are Michael Brosnan (Chairperson), Sharon Curran and Krisja Vermeylen. Michael Brosnan currently fulfills the prerequisite of an independent financial expert.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for preparing and reviewing the Management Board's compensation system annually before its final approval. When necessary, the Committee searches for suitable candidates to appoint to the Management Board and Supervisory Board and submits appointment proposals to the Supervisory Board. The Committee also prepares the contracts made with Management Board members. The members of the Remuneration and Nomination Committee are Krisja Vermeylen (Chairperson), Dr. Marc Cluzel and Frank Morich.

Science and Technology Committee

The Science and Technology Committee advises the Supervisory Board on matters concerning proprietary drug and technology development and prepares the relevant Supervisory Board resolutions. The members of the Science and Technology Committee are Dr. George Golumbeski (Chairperson), Dr. Frank Morich and Wendy Johnson.

In line with Section 5.4.1. para. 5 sentence 2 of the German Corporate Governance Code, the Supervisory Board members' biographies are published on our website under Company—Management—Supervisory Board.

Corporate Governance Practices

At MorphoSys, responsible, sustainable and value-oriented corporate governance is a high priority. Good corporate governance is an essential aspect of our corporate management and forms the framework for the Group's management and supervision, which includes the Group's organization, commercial principles and tools for its guidance and control.

The German Corporate Governance Code ("the Code") provides a standard for the transparent monitoring and management of companies that strongly emphasizes shareholder interests. The German Federal Ministry of Justice originally published the Code in 2002; it was last amended on February 7, 2017 and published in the German Federal Gazette on April 24, 2017. On December 16, 2019, the Government Commission on the German Corporate Governance Code adopted a new version of the Code ("Code 2020"), which, however, only came into force after the end of the reporting period in 2020. Until then, the version of the Code dated February 7, 2017 continued to apply. In particular, the Code contains principles, recommendations and suggestions for the Management Board and the Supervisory Board that are intended to ensure that the company is managed in the enterprise's best interests. Further, the objective of the Code is to make the dual German corporate governance system transparent and understandable. Against this background, the Code aims to promote confidence in the management and supervision of German listed companies by investors, customers, employees and the general public.

There is no obligation to comply with the recommendations or suggestions of the Code. The German Stock Corporation Act requires only that the Management Board and Supervisory Board of a German listed company issue an annual declaration that either (i) states that the company has complied with the recommendations of the Code or (ii) lists the recommendations that the company has not complied with and explains its reasons for deviating from the recommendations of the Code. In addition, a listed company is also required to state in this annual declaration whether it intends to comply with the recommendations or list the recommendations it does not plan to comply with in the future. These declarations have to be published permanently on the company's website. If the company changes its policy on certain recommendations between such annual declarations, it must disclose this fact and explain its reasons for deviating from the recommendations. Non-compliance with suggestions contained in the Code need not be disclosed.

Many of the corporate governance principles contained in the Code have been practiced at MorphoSys for many years. Our corporate governance is detailed in the Statement on Corporate Governance under Section 289f HGB and 315d HGB. The statement also contains the annual Declaration of Conformity, relevant information on corporate governance practices and a description of the Management Board and Supervisory Board's working practices. Additional information can be found in the Corporate Governance Report of the 2019 Annual Report.

Independence

The Supervisory Board considers it appropriate that at least four of its members are independent (Section 5.4.2 of the German Corporate Governance Code and the Nasdaq listing rules). Members of the Supervisory Board are considered independent when they have no personal or business relationship with MorphoSys, its management, a

controlling shareholder or an affiliate that may give rise to a material and more than temporary conflict of interest. All six current members of the Supervisory Board meet the criteria to be classified as independent. Therefore, the Supervisory Board currently meets the quota of four independent members.

Significant and more than temporary conflicts of interest should be avoided, especially when it involves work for major competitors. It should be noted, however, that conflicts of interest in certain cases cannot be excluded. Any potential conflicts of interest must be disclosed to the Chairperson of the Supervisory Board and remedied appropriately. There are currently no conflicts of interest.

D. Employees

On December 31, 2019, the MorphoSys Group had 426 employees (December 31, 2018: 329), 152 of whom hold Ph.D. degrees (December 31, 2018: 134). The MorphoSys Group employed an average of 374 employees in 2019 (2018: 327).

Of these 426 active employees, 300 were involved in research and development activities, 86 were involved in general administration and 40 were involved in selling. All of these employees are located in our offices in Planegg, Germany; in Groningen, the Netherlands; and in Boston, USA. We have no collective bargaining agreements with our employees and we have not experienced any labor strikes.

In the reporting year, we have appointed the Head of the U.S. Operations as well as other members of senior management, including critical positions such as Medical Affairs, Market Access, Sales and Marketing, Commercial Operations, Legal and Finance. Our Medical Affairs team and the Medical Science Liasion Managers, or MSLs, follow a multi-stakeholder engagement strategy and have already started to establish networks in the healthcare professionals and oncologist community. At the end of 2019, we had 36 people employed to support our commercial structure. By the time we reach tafasitamab’s market entry planned for mid-2020, we expect to have hired more than 100 additional employees to further strengthen our U.S. presence.

At the end of the reporting year, we had employees representing 40 different nationalities (2018: 34).

E. Share Ownership

The members of the Management Board and the Supervisory Board hold more than 1% of the shares issued by the Company. All shares, performance shares, stock options and convertible bonds held by each member of the Management Board and the Supervisory Board are listed below.

Directors' Holdings

Ordinary Shares

	01/01/2019	Additions	Sales	12/31/2019
Management Board				
Dr. Jean-Paul Kress [1]	-	0	0	0
Jens Holstein	17,017	39,808	37,308	19,517
Dr. Malte Peters	12,818	0	9,505	3,313
Dr. Markus Enzelberger	1,676	1,837	1,837	1,676
Dr. Simon Moroney [2]	483,709	0	-	-
Total	515,220	41,645	48,650	24,506
Supervisory Board				
Dr. Marc Cluzel	500	250	0	750
Dr. Frank Morich	1,000	0	0	1,000
Michael Brosnan	0	0	0	0
Sharon Curran [3]	-	0	0	0
Dr. George Golumbeski	0	0	0	0
Wendy Johnson	500	0	0	500
Krisja Vermeylen	350	0	0	350
Total	2,350	250	0	2,600

Stock Options

	01/01/2019	Additions	Forfeitures [4]	Exercises	12/31/2019
Management Board					
Dr. Jean-Paul Kress [1]	-	57,078			57,078
Jens Holstein	14,673	6,936	0	0	21,609
Dr. Malte Peters	14,673	6,936	0	0	21,609
Dr. Markus Enzelberger	11,742	6,936	0	0	18,678
Dr. Simon Moroney [2]	22,395	10,587	0	0	-
Total	63,483	88,473	0	0	118,974

Convertible Bonds

	01/01/2019	Additions	Forfeitures [4]	Exercises	12/31/2019
Management Board					
Dr. Jean-Paul Kress [1]	-	0	0	0	0
Jens Holstein	30,000	0	0	30,000	0
Dr. Malte Peters	0	0	0	0	0
Dr. Markus Enzelberger	0	0	0	0	0
Dr. Simon Moroney [2]	88,386	0	0	0	-
Total	118,386	0	0	30,000	0

Performance Shares

	01/01/2019	Additions	Forfeitures	Allocations [4]	12/31/2019
Management Board					
Dr. Jean-Paul Kress [1]	-	0	0	0	0
Jens Holstein	17,936	2,065	0	7,308	12,693
Dr. Malte Peters	5,132	2,065	0	0	7,197
Dr. Markus Enzelberger	7,031	2,065	0	1,837	7,259
Dr. Simon Moroney [2]	27,050	3,152	0	0	-
Total	57,149	9,347	0	9,145	27,149

1 Dr. Jean-Paul Kress joined the Management Board of MorphoSys AG on September 1, 2019.
2 Dr. Simon Moroney left the Management Board as of August 31, 2019. Changes in the number of shares after resignation from the Management Board of MorphoSys AG are not presented in the tables.
3 Sharon Curran joined the Supervisory Board of MorphoSys AG on June 14, 2019.
4 Allocations are made as soon as performance shares are transferred within the six-month exercise period after the end of the four-year vesting period.

The members of our Supervisory Board do not hold stock options, convertible bonds or performance shares.

A detailed description of the stock option plans, convertible bonds program and long-term-incentive programs granted to members of our Management Board can be found in the Notes (sections 7.1, 7.2 and 7.3).

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table sets forth information, as of February 29, 2020, regarding the beneficial ownership of our ordinary shares for:

- members of our Supervisory Board;
- members of our Management Board;
- members of our supervisory and Management Boards as a group; and
- each person who has reported to us that such person beneficially owns 3% or more of our outstanding ordinary shares pursuant to applicable German law or 5% or more of our outstanding shares pursuant to applicable U.S. law.

The percentage of shares beneficially owned is computed on the basis of 31,961,372 issued shares as of February 29, 2020. Shares beneficially owned as of February 29, 2020 include:

Shareholders with 3% or more	Numbers	%
Baillie Gifford [1]	1,999,394	6.26%
BlackRock Inc. [2]	2,522,563	7.89%
FMR LLC [3]	2,728,671	8.54%
AMI INTERNATIONAL MUTUAL FUNDS (INVESCO MUTAL FUNDS) [4]	1,967,452	6.16%
MEMBERS OF SUPERVISORY BOARD AND MANAGEMENT BOARD		
Dr. Jean-Paul Kress	0	*
Jens Holstein	19,517	*
Dr. Malte Peters	3,313	*
Dr. Markus Enzelberger	1,676	*
Dr. Marc Cluzel	750	*
Dr. Frank Morich	1,000	*
Michael Brosnan	0	*
Sharron Curran	0	*
Dr. George Golumbeski	0	*
Wendy Johnson	500	*
Krisja Vermeylen	350	*
Members of Supervisory Board and Management Board (as a group)	27,106	*

* Indicates holdings of less than 1%.

(1) The information is based solely on a notification provided by Baillie Gifford & Co. pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz). MorphoSys issued a respective voting rights announcement on October 8, 2019.

(2) The information is based solely on a notification provided by BlackRock Inc. pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz). MorphoSys issued a respective voting rights announcement on December 16, 2019.

(3) The information is based solely on a notification provided by FMRLLC pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz). MorphoSys issued a respective voting rights announcement on June 11, 2019.

(4) The information is based solely on a notification provided by AMI INTERNATIONAL MUTUAL FUNDS (INVESCO MUTAL FUNDS) pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz). MorphoSys issued a respective voting rights announcement on October 15, 2019.

Our ordinary shares are issued only in bearer form. Accordingly, we cannot determine the identity of our shareholders or how many shares a particular shareholder owns and the number of ordinary shares directly held by persons with U.S. addresses.

All of our shareholders have the same voting rights. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company. On January 13, 2020, we and Incyte announced that both companies had entered into a collaboration and license agreement to further develop and commercialize MorphoSys' proprietary anti-CD19 antibody tafasitamab globally. Under the terms of the agreement, Incyte will make an equity investment into MorphoSys of US$150 million in new American Depositary Shares (ADS) of MorphoSys at a premium to the share price at signing of the agreement.

B. Related Party Transactions

Since January 1, 2015, there has not been, nor is there currently proposed, any material transaction or series of similar material transactions to which we were or are a party in which any of the members of our Supervisory or

Management Boards, executive officers, holders of more than 10% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest, other than the compensation and shareholding arrangements we describe in the "Management" and "Principal Shareholders" sections of this report.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Consolidated Financial Statements

Our consolidated financial statements are appended at the end of this annual report on Form 20-F, starting at page F-1, and incorporated herein by reference.

Legal Proceedings

From time to time, we are subject to various legal proceedings and claims that arise in the ordinary course of our business activities. Although the results of litigation and claims cannot be predicted with certainty, as of the date of this report, we do not believe we are party to any claim or litigation, the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

On April 4, 2016 we filed a lawsuit against Janssen Biotech Inc., Genmab A/S and Genmab US, Inc. at the District Court of Delaware. We were seeking redress for infringement in connection with the manufacture, use and sale of Janssen's and Genmab's daratumumab, an antibody targeting CD38, approved for the treatment of certain patients with MM and the same target against which MOR202 is directed. On January 26, 2019, we announced that in this lawsuit against Janssen Biotech and Genmab A/S, the United States (U.S.) District Court of Delaware, based on a hearing held November 27, 2018, ruled in a Court Order on January 25, 2019, that the asserted claims of three MorphoSys patents with U.S. Patent Numbers 8,263,746, 9,200,061 and 9,758,590 are invalid. The Court thus granted a motion for Summary Judgement of invalidity filed by Janssen Biotech and Genmab, A/S against the three patents held by MorphoSys. As a result of this decision, the jury trial scheduled for February 2019 to consider Janssen's and Genmab's alleged infringement and the validity of the MorphoSys patents did not take place. On January 31, 2019 we announced that we had settled the dispute with Janssen Biotech and Genmab A/S. The parties agreed to drop the mutual claims related to the litigation; MorphoSys dismissed claims for alleged patent infringement against Janssen Biotech and Genmab A/S and agreed not to appeal from the court order dated January 25, 2019. Janssen and Genmab dismissed their counterclaims against MorphoSys.

Apart from this patent litigation, within the past twelve months, we have not been party to any litigation, arbitration proceedings or administrative proceedings that may have a material effect on our financial condition or profitability, and we are not aware of any such proceedings being pending or threatened.

Dividend Distribution Policy

We have not paid any dividends on our ordinary shares since our inception, and we currently intend to retain any future earnings to finance the growth and development of our business. Therefore, we do not anticipate that we

will declare or pay any cash dividends in the foreseeable future. Except as required by law, any future determination to pay cash dividends will be at the discretion of our Management Board and Supervisory Board and will be dependent upon our financial condition, results of operations, capital requirements, and other factors our Management Board and Supervisory Board deem relevant.

B. Significant Changes

A detailed description of the significant changes can be found in the Notes (section 8.5).

Item 9. The Offer and Listing

A. Offer and Listing Details

The ADS have been listed on Nasdaq Global Market under the symbol “MOR” since April 23, 2018. Prior to that date, there was no public trading market for ADSs. Our ordinary shares have been trading on the Frankfurt Stock Exchange under the symbol “MOR” since March, 1999. Prior to that date, there was no public trading market for ADSs or our ordinary shares.

B. Plan of Distribution

Not applicable.

C. Markets

The ADS have been listed on Nasdaq Global Market under the symbol “MOR” since April 23, 2018 and our ordinary shares have been listed on the Frankfurt Stock Exchange under the symbol “MOR” since March 1999.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The information set forth in our Registration Statement on Form F-1 (File No. 333-223843), automatically effective upon filing with the SEC on March 22, 2018, under the heading “Description of Share Capital” as supplemented by the section titled “Description of Share Capital” in the final prospectus supplement on Form 424(b)(4) dated April 18, 2018 filed with the SEC on April 19, 2018 is incorporated herein by reference.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Business Overview” or elsewhere in this annual report.

D. Exchange Controls

There are currently no legal restrictions in Germany on international capital movements and foreign exchange transactions, except in limited embargo circumstances (*Teilembargo*) relating to certain areas, entities or persons as a result of applicable resolutions adopted by the United Nations and the EU. Restrictions currently exist with respect to, among others, Belarus, Congo, Egypt, Eritrea, Guinea, Guinea-Bissau, Iran, Iraq, Ivory Coast, Lebanon, Liberia, Libya, North Korea, Somalia, South Sudan, Sudan, Syria, Tunisia and Zimbabwe.

For statistical purposes, there are, however, limited notification requirements regarding transactions involving cross-border monetary transfers. With some exceptions, every corporation or individual residing in Germany must report to the German Central Bank (*Deutsche Bundesbank*) (i) any payment received from, or made to, a non-resident corporation or individual that exceeds €12,500 (or the equivalent in a foreign currency) and (ii) in case the sum of claims against, or liabilities payable to, non-residents or corporations exceeds €5,000,000 (or the equivalent in a foreign currency) at the end of any calendar month. Payments include cash payments made by means of direct debit, checks and bills, remittances denominated in euros and other currencies made through financial institutions, as well as netting and clearing arrangements.

E. Taxation

The following discussion is a summary of certain U.S. and German tax consequences of owning and disposing of the ADSs.

German Taxation

The following discussion addresses certain German tax consequences of acquiring, owning or disposing of the ADSs. With the exception of the subsection “Taxation of Holders Tax Resident in Germany” below, which provides an overview of dividend taxation to holders that are residents of Germany, this discussion applies only to U.S. treaty beneficiaries (defined below) that acquire ADSs.

This discussion is based on domestic German tax laws, including, but not limited to, circulars issued by German tax authorities, which are not binding on the German courts, and the Treaty (defined below). It is based upon tax laws in effect at the time of filing of this report. These laws are subject to change, possibly with retroactive effect. For example, certain member states of the European Union are considering introducing a financial transaction tax (*Finanztransaktionssteuer*) which, if and when introduced, may also be applicable on sales and/or transfer of ADSs. In addition, in Germany, for example, there are currently ongoing discussions on the raise of the top tax rate, which may also have an effect on the German tax consequences of acquiring, owning and disposing of the ADSs. There is no assurance that German tax authorities will not challenge one or more of the tax consequences described in this discussion.

In addition, this discussion is based upon the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. It does not purport to be a comprehensive or exhaustive description of all German tax considerations that may be of relevance in the context of acquiring, owning and disposing of ADSs.

The tax information presented in this report is not a substitute for tax advice. Prospective holders of ADSs should consult their own tax advisors regarding the German tax consequences of the purchase, ownership, disposition, donation or inheritance of ADSs in light of their particular circumstances, including the effect of any state, local, or other foreign or domestic laws or changes in tax law or interpretation. The same applies with respect to the rules governing the refund of any German dividend withholding tax (*Kapitalertragsteuer*) withheld. Only an individual tax consultation can appropriately account for the particular tax situation of each investor.

MorphoSys does not assume any responsibility for withholding tax at source.

Taxation of MorphoSys

MorphoSys's taxable income, whether distributed or retained, is generally subject to corporate income tax (*Körperschaftsteuer*) at a uniform rate of 15% plus the solidarity surcharge (*Solidaritätszuschlag*) of 5.5% thereon, resulting in a total corporate income tax liability of 15.825%.

Dividends (*Gewinnanteile*) and other distributions received by MorphoSys from domestic or foreign corporations are exempt from corporate income tax, *inter alia*, if MorphoSys held at the beginning of the calendar year at least 10% of the registered share capital (*Grundkapital* or *Stammkapital*) of the distributing corporation which did not deduct the distributions from its own tax base; however, 5% of such revenue is treated as a non-deductible business expense and, as such, is subject to corporate income tax plus the solidarity surcharge. The acquisition of a participation of at least 10% in the course of a calendar year is deemed to have occurred at the beginning of such calendar year for the purpose of this rule. Participations in the share capital of other corporations which MorphoSys holds through a partnership, including co- entrepreneurships (*Mitunternehmerschaften*), are attributable to MorphoSys only on a *pro rata* basis at its entitlement to the profits of the relevant partnership. Subject to the above-mentioned requirements, 95% of the amount of dividends and other distributions that MorphoSys receives from corporations are exempt from corporate income tax. The same applies, in general and irrespective of the size of the shareholding, to profits earned by MorphoSys from the sale of shares in another domestic or foreign corporation. Losses incurred from the sale of such shares are not deductible for tax purposes.

In addition, MorphoSys is subject to trade tax (*Gewerbesteuer*) with respect to its taxable trade profit (*Gewerbeertrag*) from its permanent establishments in Germany (*inländische gewerbesteuerliche Betriebsstätten*). Trade tax is generally based on the taxable income as determined for corporate income tax purposes taking into account, however, certain add-backs and deductions.

The trade tax rate depends on the local municipalities in which MorphoSys maintains its permanent establishments. Dividends received from other corporations and capital gains from the sale of shares in other corporations are treated in principle in the same manner for trade tax purposes as for corporate income tax purposes. However, dividends received from domestic and foreign corporations are effectively 95% exempt from trade tax only if MorphoSys held at least 15% of the registered share capital (Grundkapital or Stammkapital)—in the event of foreign corporations—of the nominal capital (Nennkapital) of the distributing corporation at the beginning of the relevant tax assessment period.

Expenditures for external financing are subject to the "interest barrier" (*Zinsschranke*) rules. When MorphoSys calculates its taxable income, the interest barrier rules generally prevent MorphoSys from deducting certain net interest expense, *i.e.*, the excess of interest expense over interest income for a given fiscal year, exceeding 30% of its taxable EBITDA (taxable earnings adjusted for interest expense, interest income and certain depreciation/amortization and other reductions) if its net interest expense is, or exceeds, EUR 3 million (*Freigrenze*) and no other exceptions apply. Special rules apply in the event of external financing undertaken by shareholders or related parties. Interest expense that is not deductible in a given year may be carried forward to subsequent fiscal years of MorphoSys (interest carryforward) and will increase the interest expense in those subsequent years. EBITDA amounts that could not be utilized may, under certain conditions, be carried forward into future fiscal years. If such EBITDA carryforward is not used within five fiscal years it will be forfeited. An EBITDA carryforward that arose in an earlier year must be used before a carryforward that arose in a later year is used. By the decision dated October 14, 2015, the German Federal Fiscal Court (*Bundesfinanzhof*) submitted to the German Federal Constitutional Court (*Bundesverfassungsgericht*) the question as to whether or not the interest barrier rule is unconstitutional. The final decision on whether the interest barrier rule violates the constitution now lies with the German Federal Constitutional Court. While a decision has not been issued as of the date of the filing of this report, it may take a few years until this Court will decide. For the time being, the interest barrier remains applicable, and tax assessments may be kept open.

On December 11, 2019 the first draft of the German "Law implementing the EU Anti-Tax Avoidance-Directive" ("Draft Law"; Council Directives 2016/1164 of 12 July 2016, and 2017/952 of 29 May 2017, "ATAD I and II") was released for public consultation. The further legislative process is currently ongoing and may still take place in 2020. Some of the measures may already be applicable from January 1, 2020. The Draft Law proposed changes that may prevent a deduction of certain business expenses (e.g., interest, royalties, etc.) under the anti-hybrid rules and internal financing expenses due to changes in the cross-border intercompany financing rules.

Tax-loss carryforwards can be used to fully offset taxable income for corporate income tax and trade tax purposes up to an amount of EUR 1 million. If the taxable profit for the year or taxable profit subject to trade taxation exceeds this threshold, only up to 60% of the amount exceeding the threshold may be offset by tax-loss carryforwards. The remaining 40% is subject to tax (minimum taxation) (*Mindestbesteuerung*). The rules also provide for a tax carryback to the previous year with regard to corporate income tax. Unused tax-loss carryforwards may be generally carried forward indefinitely and used in subsequent assessment periods to offset future taxable income in accordance with this rule.

However, unused losses, loss carryforwards and interest carryforwards are fully forfeited in full if within five years more than 50% of the subscribed capital, membership interests, equity interests or voting rights of MorphoSys are transferred, whether directly or indirectly, to an acquiring party or affiliated individuals/entities, or a similar change of ownership occurs (harmful acquisition) (*schädlicher Beteiligungserwerb*). A group of acquirers with aligned interests is also considered to be an acquiring party for these purposes. In addition, any current year losses incurred prior to the acquisition will not be deductible. If between 25% and 50% of the subscribed capital, membership interests, equity interests or voting rights of MorphoSys is transferred, a proportional amount of the unused losses and interest carryforwards is would have been forfeited based on previously applicable law. A capital increase shall be deemed as equivalent to a transfer of the subscribed capital to the extent that it causes a change of the interest ratio in the capital of the corporation. Unused losses, loss carryforwards, and interest carryforwards are not forfeited (i) in the event of certain intra-group transactions, (ii) or to the extent that they are covered at the time of the harmful acquisition by certain built-in gains (*stille Reserven*) which are subject to tax in Germany. Alternatively to (i) and (ii), MorphoSys may, under certain requirements, opt for the continuity of business exemption *(Fortführungsgebundener Verlustvortrag)* to preserve unused losses, loss carryforwards and interest carryforwards. By the decision dated March 29, 2017, the German Federal Constitutional Court decided that the proportional, i.e., between 25% and 50%, change of ownership rule is unconstitutional. The legislator was requested to change this rule with retroactive effect until December 31, 2018. Therefore, the legislator abolished the rule for the 25% to 50% transfers with retroactive effect. By the decision dated August 29, 2017, the Lower Tax Court of Hamburg (*Finanzgericht Hamburg*) submitted to the German Federal Constitutional Court the question as to whether or not the change of ownership rule stipulating a full forfeiture of unused losses, loss carryforwards and interest carryforwards is also unconstitutional.

German Taxation of ADS Holders

General

Based on the circular issued by the German Federal Ministry of Finance (*BMF-Schreiben*), dated May 24, 2013, reference number IV C 1-S2204/12/10003, in respect of the taxation of American Depositary Receipts (ADRs) on domestic shares or the "ADR Tax Circular," for German tax purposes, the ADSs represent a beneficial ownership interest in the underlying shares of MorphoSys and qualify as ADRs for the purpose of the ADR Tax Circular. If the ADSs qualify as ADRs under the ADR Tax Circular, dividends would accordingly be attributable to holders of the ADSs for tax purposes, and not to the legal owner of the ordinary shares (*i.e.*, the financial institution on behalf of which the ordinary shares are stored at a domestic depository for the ADS holders). Furthermore, holders of the ADSs should be treated as beneficial owners of the capital of MorphoSys with respect to capital gains (see below in section "German Taxation of Capital Gains of the U.S. Treaty Beneficiaries of the ADSs"). However, investors should note that circulars published by the German tax authorities (including the ADR Tax Circular) are not binding on German courts, including German tax courts, and it is unclear whether

a German court would follow the ADR Tax Circular in determining the German tax treatment of the ADSs. For the purpose of this German tax section, it is assumed that the ADSs qualify as ADRs within the meaning of the ADR Tax Circular. There may be a more detailed scrutiny with respect to ADRs in the near future because some fraudulent cases involving ADRs came to the attention of the German tax authorities in fall 2018. In those cases owners of ADRs requested tax refunds although there were no underlying shares with respect to these ADRs. Therefore, it also cannot be excluded that the tax authorities want to treat ADRs differently in the future.

The German Federal Ministry of Finance issued a circular (BMF-Schreiben), dated December 18, 2018, reference number IV C 1—S 2204/12/10003, to address such fraudulent tax refund requests. The circular mandates that the issuance of a tax certificate (Steuerbescheinigung), a prerequisite to claim German withholding tax relief, requires the depository agent (Hinterlegungsstelle) to confirm that only ADRs were issued for which underlying shares were deposited with the depository agent at the issuances of the ADRs.

Taxation of Holders Not Tax Resident in Germany

The following discussion describes the material German tax consequences for a holder that is a U.S. treaty beneficiary of acquiring, owning and disposing of the ADSs. For purposes of this discussion, a "U.S. treaty beneficiary" is a resident of the United States for purposes of the Agreement between the Federal Republic of Germany and United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital as of June 4, 2008 (*Abkommen zwischen der Bundesrepublik Deutschland und den Vereinigten Staaten von Amerika zur Vermeidung der Doppelbesteuerung und zur Verhinderung der Steuerverkürzung auf dem Gebiet der Steuern vom Einkommen und vom Vermögen und einiger anderer Steuern in der Fassung vom 4. Juni 2008*), hereinafter referred to as the "Treaty", who is fully eligible for benefits under the Treaty.

A holder will be a U.S. treaty beneficiary entitled to full Treaty benefits in respect of the ADSs if it is, *inter alia*:

- the beneficial owner of the ADSs (and the dividends paid with respect thereto);
- a U.S. holder;
- not also a resident of Germany for German tax purposes; and
- not subject to the limitation on benefits (*i.e.*, anti-treaty shopping) article of the Treaty that applies in limited circumstances.

Special rules apply to pension funds and certain other tax-exempt investors.

This discussion does not address the treatment of ADSs that are (i) held in connection with a permanent establishment or fixed base through which a U.S. treaty beneficiary carries on business or performs personal services in Germany or (ii) part of business assets for which a permanent representative in Germany has been appointed.

General Rules for the Taxation of Holders Not Tax Resident in Germany

Non-German resident holders of ADSs are subject to German taxation with respect to German sourced income (*beschränkte Steuerpflicht*). According to the ADR Tax Circular, income from the shares should be attributed to the holder of the ADSs for German tax purposes. As a consequence, income from the ADSs should be treated as German source income.

The full amount of a dividend distributed by MorphoSys to a non-German resident holder which does not maintain a permanent establishment or other taxable presence in Germany is subject to (final) German withholding tax at an aggregate rate of 26.375%. German withholding tax is withheld and remitted to the German tax authorities by the disbursing agent (*i.e.*, the German credit institution, financial services institution, securities trading enterprise or securities trading bank (each as defined in the German Banking Act (*Kreditwesengesetz*) and

in each case including a German branch of a foreign enterprise, but excluding a foreign branch of a German enterprise)) that holds or administers the underlying shares in custody and disburses or credits the dividend income from the underlying shares or disburses or credits the dividend income from the underlying shares on delivery of the dividend coupons or disburses such dividend income to a foreign agent or the central securities depository (*Wertpapiersammelbank)* in terms of the German Depositary Act (*Depotgesetz*) holding the underlying shares in a collective deposit, if such central securities depository disburses the dividend income from the underlying shares to a foreign agent, regardless of whether a holder must report the dividend for tax purposes and regardless of whether or not a holder is a resident of Germany.

Pursuant to the Treaty, the German withholding tax may not exceed 15% of the gross amount of the dividends received by U.S. treaty beneficiaries. The excess of the total withholding tax, including the solidarity surcharge, over the maximum rate of withholding tax permitted by the Treaty is refunded to U.S. treaty beneficiaries upon application. For example, for a declared dividend of 100, a U.S. treaty beneficiary initially receives 73.625 (100 minus the 26.375% withholding tax including solidarity surcharge). The U.S. treaty beneficiary is entitled to a partial refund from the German tax authorities in the amount of 11.375% of the gross dividend (of 100). As a result, the U.S. treaty beneficiary ultimately receives a total of 85 (85% of the declared dividend) following the refund of the excess withholding. However, investors should note that it is unclear how the German tax authorities will apply the refund process to dividends on the ADSs with respect to non-German resident holders of the ADSs. Further, such refund is subject to the German anti-avoidance treaty shopping rule (as described below in the section "—Withholding Tax Refund for U.S. Treaty Beneficiaries").

German Taxation of Capital Gains of the U.S. Treaty Beneficiaries of the ADSs

The capital gains from the disposition of the ADSs realized by a non-German resident holder which does not maintain a permanent establishment or other taxable presence in Germany would be treated as German source income and be subject to German tax if such holder at any time during the five years preceding the disposition, directly or indirectly, owned 1% or more of MorphoSys's share capital, irrespective of whether through the ADSs or shares of MorphoSys. If such holder had acquired the ADSs without consideration, the previous owner's holding period and quota would be taken into account.

Pursuant to the Treaty, U.S. treaty beneficiaries are not subject to German tax even under the circumstances described in the preceding paragraph and therefore should not be taxed on capital gains from the disposition of the ADSs.

German statutory law requires the disbursing agent to levy withholding tax on capital gains from the sale of ADSs or other securities held in a custodial account in Germany. With regard to the German taxation of capital gains, disbursing agent means a German credit institution, a financial services institution, a securities trading enterprise or a securities trading bank (each as defined in the German Banking Act and, in each case including a German branch of a foreign enterprise, but excluding a foreign branch of a German enterprise) that holds the ADSs in custody or administers the ADSs for the investor or conducts sales or other dispositions and disburses or credits the income from the ADSs to the holder of the ADSs. The German statutory law does not explicitly condition the obligation to withhold taxes on capital gains being subject to taxation in Germany under German statutory law or on an applicable income tax treaty permitting Germany to tax such capital gains.

However, a circular issued by the German Federal Ministry of Finance, dated January 18, 2016, reference number IV C 1-S2252/08/10004 :017, provides that taxes need not be withheld when the holder of the custody account is not a resident of Germany for tax purposes and the income is not subject to German taxation. The circular further states that there is no obligation to withhold such tax even if the non-resident holder owns 1% or more of the share capital of a German company. While circulars issued by the German Federal Ministry of Finance are only binding on the German tax authorities but not on the German courts, in practice, the disbursing agents nevertheless typically rely on guidance contained in such circulars. Therefore, a disbursing agent would only withhold tax at 26.375% on capital gains derived by a U.S. treaty beneficiary from the sale of ADSs held in

a custodial account in Germany in the event that the disbursing agent did not follow the above-mentioned guidance. In this case, the U.S. treaty beneficiary may be entitled to claim a refund of the withholding tax from the German tax authorities under the Treaty, as described below in the section "—Withholding Tax Refund for U.S. Treaty Beneficiaries".

Withholding Tax Refund for U.S. Treaty Beneficiaries

U.S. treaty beneficiaries are generally eligible for treaty benefits under the Treaty, as described above in Section "—Taxation of Holders Not Tax Resident in Germany". Accordingly, U.S. treaty beneficiaries are in general entitled to claim a refund of the portion of the otherwise applicable 26.375% German withholding tax (corporate income tax including solidarity surcharge) on dividends that exceeds the applicable Treaty rate. However, such refund is only possible, provided that pursuant to special rules on the restriction of withholding tax credit, the following three cumulative requirements are met: (i) the shareholder must qualify as beneficial owner of the ADSs for an uninterrupted minimum holding period of 45 days within a period starting 45 days prior to and ending 45 days after the due date of the dividends, (ii) the shareholder has to bear at least 70% of the change in value risk related to the ADSs during the minimum holding period as described under (i) of this paragraph and has not entered into (acting by itself or through a related party) hedging transactions which lower the change in value risk by more than 30%, and (iii) the shareholder must not be obliged to fully or largely compensate directly or indirectly the dividends to third-parties. If these requirements are not met, then for a shareholder not being a tax-resident in Germany who applied for a full or partial refund of the withholding tax pursuant to a double taxation treaty, no refund is available. This restriction generally does only apply, if (i) the tax underlying the refund application is below a tax rate of 15% based on the gross amount of the dividends or capital gains and (ii) the shareholder does not directly own 10% or more in the shares of the company and is subject to income taxes in its state of residence, without being tax exempt.

In general, as previously discussed, investors should note that it is unclear how the German tax administration will apply the refund process to dividends on the ADSs. Further, such refund is subject to the German anti-avoidance treaty shopping rule. Generally, this rule requires that the U.S. treaty beneficiary (in case it is a non-German resident company) maintains its own administrative substance and conducts its own business activities. In particular, a foreign company has no right to a full or partial refund to the extent persons holding ownership interests in MorphoSys would not be entitled to the refund if they derived the income directly and the gross income realized by the foreign company is not caused by the business activities of the foreign company, and there are either no economic or other considerable reasons for the interposition of the foreign company, or the foreign company does not participate in general commerce by means of a business organization with resources appropriate to its business purpose. However, this shall not apply if the foreign company's principal class of stock is regularly traded in substantial volume on a recognized stock exchange, or if the foreign company is subject to the provisions of the German Investment Tax Act (*Investmentsteuergesetz*). Whether or not and to which extent the anti-avoidance treaty shopping rule applies, has to be analyzed on a case-by-case basis taking into account all relevant tests. In addition, the interpretation of these tests is disputed and to date there have been no published decisions from the German Federal Finance Court in this regard.

Due to the legal structure of the ADSs, only limited guidance from the German tax authorities exists on the practical application of this procedure with respect to the ADSs.

Taxation of Holders Tax Resident in Germany

This subsection provides an overview of dividend taxation with regard to the general principles applicable to MorphoSys's holders that are tax resident in Germany. A holder is a German tax resident if, in case of an individual, he or she maintains a domicile (*Wohnsitz*) or a usual residence (*gewöhnlicher Aufenthalt*) in Germany or if, in case of a corporation, it has its place of management (*Geschäftsleitung*) or registered office (*Sitz*) in Germany.

The German dividend and capital gains taxation rules applicable to German tax residents require a distinction between ADSs held as private assets (*Privatvermögen*) and ADSs held as business assets (*Betriebsvermögen*).

ADSs as Private Assets (Privatvermögen)

If the ADSs are held as private assets by a German tax resident, dividends and capital gains are taxed as investment income and are principally subject to 25% German flat income tax on capital income (*Abgeltungsteuer*) (plus a 5.5% solidarity surcharge (*Solidaritätszuschlag*) thereon, resulting in an aggregate rate of 26.375%), which is levied in the form of withholding tax (*Kapitalertragsteuer*). In other words, once deducted, the shareholder's income tax liability on the dividends will be settled.

Shareholders may apply to have their capital investment income assessed in accordance with the general rules and with an individual's personal income tax rate if this would result in a lower tax burden in which case actually incurred expenses are not deductible. The holder would be taxed on gross personal investment income (including dividends or gains with respect to ADSs), less the saver's allowance of €801 for an individual or €1,602 for a married couple and a registered civil union (*eingetragene Lebenspartnerschaft*) filing taxes jointly. The deduction of expenses related to the investment income (including dividends or gains with respect to ADSs) is generally not possible for private investors.

Losses resulting from the disposal of ADSs can only be offset by capital gains from the sale of any shares (*Aktien*) and other ADSs. If, however, a holder directly or indirectly held at least 1% of the share capital of the company at any time during the five years preceding the sale, 60% of any capital gains resulting from the sale are taxable at the holder's personal income tax rate (plus 5.5% solidarity surcharge thereon). Conversely, 60% of any capital losses are recognized for tax purposes.

Church tax generally has to be withheld, if applicable, based on an automatic data access procedure, unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the Federal Central Tax Office. Where church tax is not levied by way of withholding, it is determined by means of income tax assessment.

ADSs as Business Assets (Betriebsvermögen)

In case the ADSs are held as business assets, the taxation depends on the legal form of the holder (*i.e.*, whether the holder is a corporation or an individual). Irrespective of the legal form of the holder, dividends are subject to the aggregate withholding tax rate of 26.375%. The withholding tax is credited against the respective holder's income tax liability, provided that pursuant to special rules on the restriction of withholding tax credit, the following three cumulative requirements are met: (i) the shareholder must qualify as beneficial owner of the ADSs for an uninterrupted minimum holding period of 45 days occurring within a period starting 45 days prior to and ending 45 days after the due date of the dividends, (ii) the shareholder has to bear at least 70% of the change in value risk related to the ADSs during the minimum holding period as described under (i) of this paragraph and has not entered into (acting by itself or through a related party) hedging transactions which lower the change in value risk for more than 30%, and (iii) the shareholder must not be obliged to fully or largely compensate directly or indirectly the dividends to third-parties. If these requirements are not met, three-fifths of the withholding tax imposed on the dividends must not be credited against the shareholder's (corporate) income tax liability, but may, upon application, be deducted from the shareholder's tax base for the relevant tax assessment period. Such requirements also apply to ADSs, which lead to domestic income in Germany and which are held by a non-German depositary bank. A shareholder that is generally subject to German income tax or corporate income tax and that has received gross dividends without any deduction of withholding tax due to a tax exemption without qualifying for a full tax credit under the aforementioned requirements has to notify the competent local tax office accordingly and has to make a payment in the amount of the omitted withholding tax deduction. The special rules on the restriction of withholding tax credit do not apply to a shareholder whose overall dividend earnings within an assessment period do not exceed €20,000 or that has been the beneficial owner of the ADSs in the Company for at least one uninterrupted year upon receipt of the dividends.

To the extent the amount withheld exceeds the income tax liability, the withholding tax will be refunded, provided that certain requirements are met (including the aforementioned requirements).

Special rules apply to credit institutions (*Kreditinstitute*), financial services institutions (*Finanzdienstleistungsinstitute*), financial enterprises (*Finanzunternehmen*), life insurance and health insurance companies, and pension funds.

With regard to holders in the legal form of a corporation, dividends and capital gains are in general 95% tax exempt from corporate income tax (including solidarity surcharge), *inter alia*, if the shareholder held at least 10% of the registered share capital (*Grundkapital oder Stammkapital*) of MorphoSys at the beginning of the calendar year. The remaining 5% is treated as non-deductible business expense and, as such, is subject to corporate income tax (including solidarity surcharge). The acquisition of a participation of at least 10% in the course of a calendar year is deemed to have occurred at the beginning of such calendar year for the purpose of this rule. Participations in the share capital of other corporations which MorphoSys holds through a partnership, including co-entrepreneurships (*Mitunternehmerschaften*), are attributable to MorphoSys only on a *pro rata* basis at the ratio of its entitlement to the profits of the relevant partnership. Moreover, actual business expenses incurred to generate the dividends may be deducted.

However, the amount of any dividends after deducting business expenses related to the dividends is subject to the trade tax, unless the corporation held at least 15% of MorphoSys's registered share capital at the beginning of the relevant tax assessment period. In the latter case, the aforementioned exemption of 95% of the dividend income also applies for trade tax purposes. Losses from the sale of ADSs are generally not tax deductible for corporate income tax and trade tax purposes.

With regard to individuals holding ADSs as business assets, 60% of dividends and capital gains are taxed at the individual's personal income tax rate (plus 5.5% solidarity surcharge thereon). Correspondingly, only 60% of business expenses related to the dividends and capital gains as well as losses from the sale of ADSs are principally deductible for income tax purposes.

German Inheritance and Gift Tax (Erbschaft- und Schenkungsteuer)

The transfer of ADSs to another person by inheritance or gift should be generally subject to German inheritance and gift tax only if:

(1) the decedent or donor or heir, beneficiary or other transferee maintained his or her domicile or a usual residence in Germany or had its place of management or registered office in Germany at the time of the transfer, or is a German citizen who has spent no more than five consecutive years outside of Germany without maintaining a domicile in Germany or is a German citizen who serves for a German entity established under public law and is remunerated for his or her service from German public funds (including family members who form part of such person's household, if they are German citizens) and is only subject to estate or inheritance tax in his or her country of domicile or usual residence with respect to assets located in such country (special rules apply to certain former German citizens who neither maintain a domicile nor have their usual residence in Germany);

(2) at the time of the transfer, the ADSs are held by the decedent or donor as business assets forming part of a permanent establishment in Germany or for which a permanent representative in Germany has been appointed; or

(3) the ADSs subject to such transfer form part of a portfolio that represents at the time of the transfer 10% or more of the registered share capital of the company and that has been held directly or indirectly by the decedent or donor, either alone or together with related persons.

The Agreement between the Federal Republic of Germany and the United States of America for the avoidance of double taxation with respect to taxes on inheritances and gifts as of December 21, 2000 (*Abkommen zwischen der Bundesrepublik Deutschland und den Vereinigten Staaten von Amerika zur Vermeidung der Doppelbesteuerung*

auf dem Gebiet der Nachlass-, Erbschaft- und Schenkungssteuern in der Fassung vom 21. Dezember 2000), hereinafter referred to as the "United States-Germany Inheritance and Gifts Tax Treaty", provides that the German inheritance tax or gift tax can, with certain restrictions, only be levied in the cases of (1) and (2) above. Special provisions apply to certain German citizens living outside of Germany and former German citizens.

Other Taxes

No German transfer tax, value-added tax, stamp duty or similar taxes are assessed on the purchase, sale or other transfer of ADSs. Provided that certain requirements are met, an entrepreneur may, however, opt for the payment of value-added tax on transactions that are otherwise tax-exempt. Net wealth tax (*Vermögensteuer*) is currently not imposed in Germany. Certain member states of the European Union are considering introducing a financial transaction tax (*Finanztransaktionssteuer*) which, if and when introduced, may also be applicable on sales and/or transfer of ADSs.

U.S. Taxation

The following discussion is a summary of U.S. federal income tax considerations to U.S. holders (as defined below) of owning and disposing of the ADSs.

The information provided below is based on the Internal Revenue Code of 1986, as amended, or the Code, Treasury Regulations, the Treaty, Internal Revenue Service, or IRS, rulings and pronouncements, and judicial decisions all as now in effect and all of which are subject to change or differing interpretations, possibly with retroactive effect. There can be no assurance that the IRS or a court will not take a contrary position with respect to any U.S. federal income tax considerations described below.

This discussion does not provide a complete analysis of all potential U.S. tax considerations that may be relevant to a decision to purchase ADSs by any particular investor. In particular, this discussion does not address tax considerations applicable to a U.S. holder (as defined in "—U.S. Taxation" below) that may be subject to special tax rules, including, without limitation, dealers or traders in securities, notional principal contracts or currencies, financial institutions, insurance companies, U.S. expatriates and inverted companies, certain stapled companies, tax-exempt organizations, tax-deferred or other retirement accounts, regulated investment companies, real estate investment trusts, a person that holds ADSs as part of a hedge, straddle, conversion or other integrated transaction for tax purposes, a person that purchases or sells ADSs as part of a wash sale for tax purposes, a person whose functional currency for tax purposes is not the U.S. dollar, a person who does not hold the ADSs as capital assets for tax purposes, a person subject to special tax accounting rules as a result of any item of gross income with respect to the ADSs being taken into account in an applicable financial statement; or a person that owns or is deemed to own 10% or more of the company's shares by vote or value. In addition, the summary does not address the 3.8% Medicare tax imposed on certain net investment income, the alternative minimum tax or any aspect of U.S. federal estate and gift tax laws or any foreign, state or local laws that may be applicable to a holder.

For purposes of this summary, a "U.S. holder" is a beneficial owner of ADSs that for U.S. federal income tax purposes is (1) an individual who is a citizen or resident of the United States, (2) a corporation, or an entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state of the United States, including the District of Columbia, (3) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (4) a trust (i) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (ii) that has otherwise elected to be treated as a U.S. person under the applicable regulations.

If a partnership (including an entity or arrangement, domestic or foreign, treated as a partnership for U.S. federal income tax purposes) holds ADSs, the tax treatment of a partner in the partnership will depend upon the status of

the partner and the activities of the partnership. A holder of ADSs that is a partnership, and partners in such partnership, should consult their own tax advisors about the U.S. federal income tax consequences of owning and disposing of the ADSs.

In general, a holder of ADSs should be treated as the owner of our ordinary shares for U.S. federal income tax purposes. Holders should consult their own tax advisors concerning the tax consequences of converting ADSs to ordinary shares.

Each prospective holder of ADSs should consult its own tax advisors regarding the U.S. federal, state and local or other tax consequences of acquiring, owning and disposing of the company's ADSs in light of their particular circumstances. U.S. holders should also review the discussion under "—German Taxation" for the German tax consequences to a U.S. holder of the ownership of the ADSs.

Distributions

Subject to the discussion below under "—PFIC Rules," the gross amount of any distribution that is actually or constructively received by a U.S. holder with respect to its ADSs without reduction for any German taxes withheld will be a dividend to the extent the amount of such distribution is paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent the amount of such distribution exceeds our current or accumulated earnings and profits, such amount will be treated first as a non-taxable return of capital to the extent of such U.S. holder's adjusted tax basis in its ADSs, and to the extent the amount of such distribution exceeds such adjusted tax basis, will be treated as capital gain from the sale of the ADSs. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution we pay will generally be reported as dividend income for U.S. federal income tax purposes. If you are a non-corporate U.S. holder, dividends paid to you that constitute "qualified dividend income" (discussed below) should be taxable to you at a preferential rate (rather than the higher rates of tax generally applicable to items of ordinary income).

Dividends paid to a non-corporate U.S. holder generally will constitute qualified dividend income if (i) we are a "qualified foreign corporation" (discussed below), (ii) you are not under any obligation to make related payments with respect to positions in substantially similar or related property, and (iii) you hold our ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and your risk of loss with respect to the ADSs is not otherwise diminished. A non-U.S. corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation (i) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information provision, or (ii) with respect to any dividend it pays on ADSs that are readily tradable on an established securities market in the United States. We are incorporated under the laws of Germany, and we believe that we qualify as a resident of Germany for purposes of, and are eligible for the benefits of, the Treaty, although there can be no assurance in this regard. Further, the IRS has determined that the Treaty is satisfactory for purposes of the qualified dividend rules and that it includes an exchange-of-information program. In addition, our ADSs are listed on the Nasdaq Global Market, which is an established securities market in the United States, and we expect the ADSs to be readily tradable on the Nasdaq Global Market. However, there can be no assurance that the ADSs will be considered readily tradable on an established securities market in the United States. Accordingly, subject to the discussion below with respect to the PFIC rules, any dividends paid on our ADS to non-corporate U.S. holders will generally be expected to be "qualified dividend income." If we are a PFIC (as discussed below under—PFIC Rules") during the year of a distribution or the year preceding a distribution, such distributions paid by us with respect to our ADSs will not be eligible for the preferential income tax rate. Prospective investors should consult their own tax advisors regarding the taxation of distributions under these rules.

Dividends paid on our ADSs will not be eligible for the dividends-received deduction generally available to corporate U.S. holders.

Subject to applicable limitations, non-refundable German taxes withheld from dividends on the ADSs can be generally claimed as a credit against the U.S. holder's U.S. federal income tax liability. For purposes of the U.S. foreign tax credit rules, dividends with respect to our ADSs should constitute income from sources outside of the United States and should generally be passive income for purposes of computing the foreign tax credit allowable to the U.S. holder. The amount of the qualified dividend income, if any, paid to a U.S. holder that is subject to the reduced dividend income tax rate and that is taken into account for purposes of calculating the U.S. holder's U.S. foreign tax credit limitation must be reduced by the rate differential portion of the dividend. In lieu of claiming a foreign tax credit, U.S. holders may, at their election, deduct foreign taxes, including any German income tax, in computing their taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the taxable year. The rules applicable to foreign tax credits are complex. Prospective investors should consult their tax advisors regarding the implications of the foreign tax credit provisions for them, in light of their particular situation.

The gross amount of any dividend paid in foreign currency will be included in the gross income of a U.S. holder in an amount equal to the U.S. dollar value of the foreign currency calculated by reference to the exchange rate in effect on the date the dividend distribution is includable in the U.S. holder's income, regardless of whether the payment is in fact converted into U.S. dollars. If the foreign currency is converted into U.S. dollars on the date of receipt by the depositary, a U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend. If the foreign currency received is not converted into U.S. dollars on the date of receipt, a U.S. holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the foreign currency will be treated as ordinary income or loss, and will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Sales or Other Taxable Dispositions

A U.S. holder will generally recognize a gain or loss for U.S. federal income tax purposes upon the sale or other disposition of ADSs in an amount equal to the difference between the U.S. dollar value of the amount realized from such sale or other disposition and the U.S. holder's tax basis in such ADSs. Subject to the discussion below under "—PFIC Rules," such gain or loss generally will be capital gain or loss. Capital gains of individuals and certain other non-corporate U.S. holders recognized on the sale or other disposition of ADSs held for more than one year are generally eligible for a reduced rate of taxation. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. The deductibility of capital losses is subject to limitations.

A U.S. holder's adjusted tax basis in the ADSs will generally equal the U.S. dollar value of the purchase price for the ADSs, based on the prevailing exchange rate on the date of such purchase. The amount realized on a disposition of the ADSs in exchange for foreign currency, will generally equal the U.S. dollar value of such currency translated at the spot exchange rate in effect on the date of the disposition. If, however, the ADSs are treated as traded on an "established securities market" for U.S. federal income tax purposes, a cash basis U.S. holder (or, if it elects, an accrual basis U.S. holder) will determine the U.S. dollar value of the purchase price for the ADSs or the amount realized on a disposition of the ADSs in exchange for non-U.S. currency, as the case may be, by translating the amount paid or received at the spot exchange rate in effect on the settlement date of the purchase or disposition, as the case may be. Any such election by an accrual basis U.S. holder must be applied consistently from year to year and cannot be changed without the consent of the IRS. A U.S. holder's tax basis in any non-U.S. currency received on a disposition of the ADSs will generally equal the U.S. dollar value of such currency on the date of receipt. Any gain or loss realized by a U.S. holder on a subsequent conversion or other disposition of the non-U.S. dollar currency will generally be foreign currency gain or loss and treated as U.S. source ordinary income or loss. U.S. holders should consult their tax advisors regarding the sale or other taxable disposition of the ADSs under their particular circumstances.

PFIC Rules

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

We do not believe we were a PFIC for the 2019 taxable year, and we do not expect to be treated as a PFIC in any future taxable year for the foreseeable future. However, because PFIC status is based on our income, assets and activities for the entire taxable year, (including goodwill, which is based on the market value of our shares and ADSs and is subject to change) which we expect may vary substantially over time, it is not possible to determine whether we will be characterized as a PFIC for any taxable year until after the close of the taxable year. Moreover, we must determine our PFIC status annually based on tests that are factual in nature, and our status in future years will depend on our income, assets and activities in each of those years. There can be no assurance that we will not be considered a PFIC for any taxable year.

If we are classified as a PFIC for any taxable year during which a U.S. holder holds ADSs, unless the U.S. holder makes a "mark-to-market" election (as described below), the U.S. holder will generally be subject to special tax rules that have a generally penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. holder (which generally means any distribution paid during a taxable year to a U.S. holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. holder's holding period for its ADSs), and (ii) any gain realized on the sale or other disposition of its ADSs.

If we are a PFIC for any taxable year during which a U.S. holder holds ADSs and any of our subsidiaries is also a PFIC, such U.S. holder will be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC. U.S. holders should consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

If we were to be classified as a PFIC, a U.S. holder may make a mark-to-market election with respect to its ADSs provided the ADSs are treated as regularly traded on a qualified exchange or other market as defined in applicable Treasury Regulations. Because, as a technical matter, a mark-to-market election cannot be made for any lower-tier PFICs that we may own, however, a U.S. holder may continue to be subject to the PFIC rules with respect to such holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes. U.S. holders should consult their tax advisors regarding the potential availability and consequences of a mark-to-market election in case we are classified as a PFIC in any taxable year.

We do not intend to make available the information necessary for a U.S. holder to make a "qualified electing fund" election.

If a U.S. holder holds ADSs in any year in which we are treated as a PFIC with respect to such U.S. holder, such U.S. holder will generally be required to file IRS Form 8621 and such other forms as may be required by the U.S. Treasury Department.

U.S. holders should consult their own tax advisors regarding the application of the PFIC rules to their investment in our ADSs and the elections discussed above.

Information with Respect to Foreign Financial Assets

Owners of "specified foreign financial assets" with an aggregate value in excess of US$50,000 (and in some circumstances, a higher threshold) may be required to file IRS Form 8938 (Statement of Specified Foreign Financial Assets) with respect to such assets on their tax returns. "Specified foreign financial assets" may include financial accounts maintained by foreign financial institutions, as well as any of the following, if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties, and (iii) interests in foreign entities. U.S. holders are urged to consult their tax advisors regarding the application of these rules to their ownership of the ADSs.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to certain reporting requirements of the Exchange Act. As a "foreign private issuer", we are exempt from the rules under the Exchange Act prescribing certain disclosure and procedural requirements for proxy solicitations, and our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions contained in Section 16 of the Exchange Act, with respect to their purchases and sales of shares. In addition, we are not required to file reports and Financial Statements with the SEC as frequently or as promptly as companies that are not foreign private issuers whose securities are registered under the Exchange Act. However, we are required to file with the SEC, within 4 months after the end of each fiscal year, an Annual Report on Form 20-F containing Financial Statements audited by an independent accounting firm and interactive data comprising Financial Statements in extensible business reporting language. We publish unaudited interim financial information after the end of each quarter. We furnish this quarterly financial information to the SEC under cover of a Form 6-K.

The SEC maintains a website that contains reports and other information regarding registrants that are required to file electronically with the SEC. The address of this website is http://www.sec.gov.

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

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

Currency Risk

The consolidated financial statements are prepared in euros. Whereas MorphoSys's expenses are predominantly incurred in euros, a portion of the revenue is dependent on the prevailing exchange rate of the US dollar.

Throughout the year, the Group monitors the need to hedge foreign exchange rates to minimize currency risk and addresses this risk by using derivative financial instruments.

Under 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 reported in other receivables and for derivatives with a negative fair value, unrealized losses are reported in other liabilities.

As of December 31, 2019, there was one unsettled forward rate agreement with a term of one month (December 31, 2018: nine unsettled forward rate agreements; December 31, 2017: twelve unsettled forward rate agreements). The unrealized gross gain from this agreement amounted to € 0.3 million as of December 31, 2019, and was recorded in the finance result (December 31, 2018: € 0.1 million unrealized gross gain; December 31, 2017: € 0.3 million unrealized gross loss).

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, 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.

A 10% increase in the euro versus the US dollar as of December 31, 2017, would have increased the consolidated net loss by € 0.2 million. A 10% decline in the euro versus the US dollar would have reduced the consolidated net loss by € 0.2 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. 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.

Different interest rates and their effects on existing investments with variable interest rates were simulated in a detailed sensitivity analysis in order to determine the effects on profit or loss. An increase of the variable interest rate by 0.5% would have reduced the consolidated net loss by € 0.3 million as of December 31, 2019 (December 31, 2018: € 0.4 million; December 31, 2017: € 0.6 million). A decrease of the variable interest rate by 0.5% would have increased the consolidated net loss by € 0.3 million as of December 31, 2019 (December 31, 2018: € 0.1 million; December 31, 2017: € 0.4 million). Changes in the interest rate had no material impact on equity as of December 31, 2019 or December 31, 2018.

Item 12. Description of Securities Other than Equity Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depository Shares

The Bank of New York Mellon, as depositary, registers and delivers ADSs. Each ADS represents one-quarter (1/4) of a deposited share with The Bank of New York Mellon SA/N.V., as custodian for the depositary in Frankfurt. Each ADS also represents any other securities, cash or other property which may be held by the depositary. The depositary's office at which the ADSs will be administered is located at 101 Barclay Street, New York, New York 10286. The Bank of New York Mellon's principal executive office is located at 225 Liberty Street, New York, New York 10286.

A deposit agreement among us, the depositary and the ADS holders sets out the ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs. A copy of the deposit agreement is incorporated by reference as an exhibit to this annual report.

Fees and Expenses

Persons depositing or withdrawing shares or ADS holders must pay:	**For**:
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
	Cancelation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
$.05 (or less) per ADS	Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders
$.05 (or less) per ADS per calendar year	Depositary services
Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	Cable and facsimile transmissions (when expressly provided in the deposit agreement)
	Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing ordinary shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the

book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions.

The depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the depositary's obligations under the deposit agreement. The methodology used to determine exchange rates used in currency conversions is available upon request.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based upon this evaluation, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in by the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Our internal control over financial reporting

is a process designed by or under the supervision of the Chief Executive Officer and Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with International Financial Reporting Standards.

As of December 31, 2019, our management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the criteria established in Internal Control—Integrated Framework (2013*)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, our management has determined that the Company's internal control over financial reporting as of December 31, 2019 is effective.

Our internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets; (2) provide reasonable assurances that our transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the IASB, and that our receipts and expenditures are being made only in accordance with authorizations of management; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitation, internal control over financial reporting, no matter how well designed, cannot provide absolute assurance of achieving financial reporting objectives and may not prevent or detect misstatements. Therefore, even if the internal control over financial reporting is determined to be effective it can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Attestation Report of the Registered Public Accounting Firm

The effectiveness of our internal control over financial reporting as of December 31, 2019 has been audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, an independent registered public accounting firm. Their report is included on page F-2. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Berlin, Germany.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during fiscal year 2019, which have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Michael Brosnan is an audit committee financial expert as defined by SEC rules and has the requisite financial sophistication under the applicable rules and regulations of the Nasdaq Stock Market. Michael Brosnan is independent as such term is defined in Rule 10A-3 under the Exchange Act and under the listing standards of the Nasdaq Stock Market.

Item 16B. Code of Ethics

We have adopted a written code of business conduct and ethics, or code of conduct, which outlines the principles of legal and ethical business conduct under which we do business. The code of conduct applies to all of our Management Board members and employees. The full text of the code of conduct is available on our website at www.morphosys.com.

Item 16C. Principal Accountant Fees and Services

PricewaterhouseCoopers has served as our independent registered public accounting firm for the years ending December 31, 2019 and 2018. The following table sets out the aggregate fees for professional audit services and other services rendered by PricewaterhouseCoopers and their member firms and / or affiliates in 2019 and 2018:

Year ended December 31 (in thousands)	2018	2019	Total
Audit fees	469	873	1,342
Fees for other assurance services	516	319	835
Tax service fees	-	-	-
Other fees for other services	289	-	289

Audit fees relate to the audit of the financial statements as set out in this Annual Report, certain procedures on our quarterly results, audit of our internal control over financial reporting and services related to our statutory and regulatory filings of our subsidiaries.

Fees for other assurance services in 2019 relate to services in connection with a comfort letter.

Fees for other assurance services in 2018 relate to the issuance of a comfort letter in connection with the IPO on the Nasdaq. Other fees for other services in 2018 relate to the support of the IPO on the Nasdaq in April 2018.

The Audit Committee has approved the audit fees and all of the fees for other assurance services and other fees for other services for the years 2018 and 2019. The Audit Committee monitors compliance with the German and U.S. rules on non-audit services provided by an independent registered public accounting firm.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 16F. Change in Registrant's Certifying Accountant

None.

Item 16G. Corporate Governance

In general, Nasdaq Stock Market Rule 5615(a)(3) permits foreign private issuers such as us, to follow home country corporate governance practices instead of certain provisions of the Nasdaq Stock Market Rules without having to seek individual exemptions from Nasdaq. In addition, we also may qualify for certain exemptions under the Nasdaq Stock Market Rules as a foreign private issuer that may affect our corporate governance practices.

The significant differences between the corporate governance practices that we follow and those set forth in the Nasdaq Stock Market Rules are described below:

Distribution of Annual and Interim Reports. Nasdaq Listing Rule 5250(d) requires that our annual and interim reports be distributed or made available to shareholders within a reasonable period of time following filing with the SEC. Consistent with applicable rules and regulations in Germany, we do not distribute annual and interim reports automatically to shareholders. Instead, our annual and interim reports are available to shareholders on our website and delivery of printed versions thereof can be requested online. Furthermore, our annual and interim reports are also filed with the German Company Register (Unternehmensregister).

Code of Conduct. Nasdaq Listing Rule 5610 requires companies to adopt one or more codes of conduct applicable to all directors, officers and employees. Although there is no requirement under German law for a company to have a code of conduct, we nevertheless have one in place applying to our Management Board and employees but not to our Supervisory Board.

Proxy Solicitation. Nasdaq Listing Rule 5620(b) requires companies that are not a limited partnership to solicit proxies and provide proxy statements for all meetings of shareholders and to provide copies of such proxy solicitation to Nasdaq. Under German law, there is no requirement for companies to solicit proxies in connection with a meeting of shareholders. Shareholders have the right to exercise their voting rights in the shareholders' meeting through proxies appointed by them in writing. The proxies appointed by us are obligated to vote only in accordance with the instructions of the represented shareholder.

Shareholder Approval Requirements. Nasdaq Listing Rule 5635 requires companies to obtain shareholder approval before undertaking any of the following transactions:

- acquiring the stock or assets of another company, where such acquisition results in the issuance of 20% or more of our outstanding share capital or voting power;
- entering into any change of control transaction;
- establishing or materially amending any equity compensation arrangement; and
- entering into any transaction other than a public offering involving the sale, issuance or potential issuance by us of shares (or securities convertible into or exercisable for shares) equal to 20% or more of our outstanding share capital or 20% or more of the voting power outstanding before the issuance for less than the greater of book or market value of the stock.

Consistent with the German Stock Corporation Act *(Aktiengesetz)*, approval by the shareholders' meeting is generally required for the issuance of any shares as well as any securities granting the respective holder the right to acquire shares (including options and convertibles).

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

See pages F-1 through F-90 of this Annual Report on Form 20-F.

Item 19. Exhibits

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Supervisory Board and Stockholders of MorphoSys AG

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of MorphoSys AG and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of profit or loss, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and International Financial Reporting Standards as adopted by the European Union. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment Assessment of the Intangible Asset MOR 107 not yet available for use

As described in Notes 2.4.3 and 5.8.3 to the consolidated financial statements, the carrying value of the Company's intangible asset not yet available for use related to the compound MOR 107 reported under the "In-Process R&D Programs" balance sheet item was € 11.7 million as of December 31, 2019, as a result of an impairment loss of € 1.3 million recorded during the financial year ended December 31, 2019. The asset which originated from the acquisition of the Lanthio Group is not yet available for use and is therefore not yet amortized. For intangible assets that are not yet available for use, the recoverable amount is estimated at the same time each year, or on an interim basis, if required. Impairment is recognized if the carrying amount of the cash-generating unit (CGU) exceeds its estimated recoverable amount. The recoverable amount of a CGU is the greater of its value-in-use or its fair value less costs 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 CGU. The result of this valuation depends to a large extent on the assessment of future cash inflows by management as well as the discount rate used and is therefore subject to considerable uncertainty.

The principal considerations for our determination that performing procedures relating to the impairment assessment of the intangible asset not yet available for use related to the compound MOR 107 is a critical audit matter are there was significant judgment by management when developing its estimate of the recoverable amount for the asset. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate management's significant assumptions, including future cash flows, the probability of successful product development, the discount rate, and the expected growth rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's impairment assessment process of the intangible asset not yet available for use, including controls over the review of the significant assumptions used to estimate the recoverable amount of this CGU. Our procedures also included, among others, testing management's process for determining the recoverable amount of the intangible asset not yet available for use, testing the completeness, accuracy, and relevance of underlying data used in the model, and evaluating the reasonableness of significant assumptions used by management, including the forecasted cash flows, the probability of successful product development, the discount rate, and the expected growth rate. Evaluating the reasonableness of management's assumptions involved evaluating key market-related assumptions (including the growth rate, the discount rate and the probabilities of successful product development) used in the model to ensure consistency with external data. The discount rate was evaluated by using professionals with specialized skill and knowledge.

Munich, Germany
March 11, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

/s/ Stefano Mulas
Wirtschaftsprüfer
(German Public Auditor)

/s/ Holger Lutz
Wirtschaftsprüfer
(German Public Auditor)

We have served as the Company's auditor since 2011.

MorphoSys Group:
Consolidated Financial Statements

Consolidated Statement of Profit or Loss (IFRS)

in €	Note	2019	2018	2017
Revenues	2.7.1, 4.1	71,755,303	76,442,505	66,790,840
Operating Expenses				
Cost of Sales	2.7.2, 4.2.1	(12,085,198)	(1,796,629)	0
Research and Development	2.7.2, 4.2.2	(108,431,600)	(106,397,017)	(113,313,679)
Selling	2.7.2, 4.2.3	(22,671,481)	(6,382,510)	(4,816,038)
General and Administrative	2.7.2, 4.2.4	(36,664,666)	(21,927,731)	(15,717,578)
Total Operating Expenses		(179,852,945)	(136,503,887)	(133,847,295)
Other Income	2.7.3, 4.3	804,739	1,644,632	1,119,598
Other Expenses	2.7.4, 4.3	(626,678)	(689,343)	(1,670,792)
Earnings before Interest and Taxes (EBIT)		(107,919,581)	(59,106,093)	(67,607,649)
Finance Income	2.7.5, 4.3	2,799,473	417,886	712,397
Finance Expenses	2.7.5, 4.3	(2,272,369)	(753,588)	(1,894,852)
Income from Reversals of Impairment Losses / (Impairment Losses) on Financial Assets	2.3.1	872,000	(1,035,000)	0
Income Tax Benefit / (Expenses)	2.7.4, 4.4	3,506,419	4,304,674	(1,036,365)
Consolidated Net Loss		(103,014,058)	(56,172,121)	(69,826,469)
Earnings per Share, basic and diluted	2.7.7, 4.5	(3.26)	(1.79)	(2.41)
Shares Used in Computing Earnings per Share, basic and diluted	2.7.7, 4.5	31,611,155	31,338,948	28,947,566

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

Consolidated Statement of Comprehensive Income (IFRS)

in €	2019	2018	2017
Consolidated Net Loss	(103,014,058)	(56,172,121)	(69,826,469)
Items that will not be reclassified to Profit or Loss			
Change in Fair Value of Shares through Other Comprehensive Income	(1,160,160)	(127,458)	0
Items that may be reclassified to Profit or Loss			
Foreign Currency Translation Differences from Consolidation	75,332	(83,432)	0
Change in Unrealized Gains and Losses on Available-for-sale Financial Assets and Bonds (Thereof € 0 for 2019, € 0 for 2018 and € 86,685 for 2017, respectively, Reclassifications of realized Gains and Losses to Profit or Loss)	0	0	54,170
Change of Tax Effects presented in Other Comprehensive Income on Available-for-sale Financial Assets and Bonds	0	0	63,659
Change in Unrealized Gains and Losses on Available-for-sale Financial Assets and Bonds, Net of Tax Effects	0	0	117,829
Change in Unrealized Gains and Losses on Cash Flow Hedges (Thereof € 0 for 2019, € 0 for 2018 and € 256,085 for 2017, respectively, Reclassifications of realized Losses to Profit or Loss)	0	0	(490,164)
Change of Tax Effects presented in Other Comprehensive Income on Cash Flow Hedges	0	0	130,751
Change in Unrealized Gains and Losses on Cash Flow Hedges, Net of Tax Effects	0	0	(359,413)
Other Comprehensive Income	(1,084,828)	(210,890)	(241,584)
Total Comprehensive Income	(104,098,886)	(56,383,011)	(70,068,053)

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

Consolidated Balance Sheet (IFRS)

in €	Note	12/31/2019	12/31/2018
ASSETS			
Current Assets			
Cash and Cash Equivalents	2.8.1, 5.1	44,314,050	45,459,836
Financial Assets at Fair Value through Profit or Loss	2.1.2, 5.2	20,454,949	44,581,264
Other Financial Assets at Amortized Cost	2.1.2, 5.2	207,735,195	268,922,724
Accounts Receivable	2.8.2, 5.3	15,081,702	17,732,933
Income Tax Receivables	2.8.2, 5.5	145,817	161,048
Other Receivables	2.8.2, 5.4	1,613,254	147,449
Inventories, Net	2.8.3, 5.5	288,212	245,161
Prepaid Expenses and Other Current Assets	2.8.4, 5.5	14,059,627	11,654,880
Total Current Assets		303,692,806	388,905,295
Non-current Assets			
Property, Plant and Equipment, Net	2.8.5, 5.6	4,652,838	3,530,709
Right-of-Use Assets, Net	2.1.2, 2.8.6, 5.7	43,160,253	0
Patents, Net	2.8.7, 5.8.1	2,981,282	3,938,739
Licenses, Net	2.8.7, 5.8.2	2,350,002	2,526,829
In-process R&D Programs	2.8.7, 5.8.3	35,683,709	37,019,370
Software, Net	2.8.7, 5.8.4	107,137	203,807
Goodwill	2.8.7, 5.8.5	3,676,233	3,676,233
Other Financial Assets at Amortized Cost, Net of Current Portion	2.1.2, 5.2	84,922,176	95,749,059
Shares at Fair Value through Other Comprehensive Income	2.8.8, 5.9	14,076,836	232,000
Prepaid Expenses and Other Assets, Net of Current Portion	2.8.9, 5.10	1,136,030	2,981,716
Total Non-current Assets		192,746,496	149,858,462
Total Assets		496,439,302	538,763,757

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

in €	Note	12/31/2019	12/31/2018
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable and Accruals	2.9.1, 6.1	57,041,902	44,760,615
Current Portion of Lease Liabilities	2.1.2, 2.8.6, 5.7	2,515,097	0
Tax Provisions	2.9.2, 6.2	94,732	208,034
Other Provisions	2.9.1, 6.2	323,000	160,411
Current Portion of Contract Liability	2.9.3, 6.3	1,570,801	794,230
Convertible Bonds due to Related Parties	2.9.5	12,324	0
Total Current Liabilities		61,557,856	45,923,290
Non-current Liabilities			
Lease Liabilities, Net of Current Portion	2.1.2, 2.8.6, 5.7	40,041,581	0
Other Provisions, Net of Current Portion	2.9.1, 6.2	23,166	23,166
Contract Liability, Net of Current Portion	2.9.4, 6.3	114,927	158,024
Convertible Bonds due to Related Parties	2.9.5	0	71,517
Deferred Tax Liability	2.9.6, 4.4	0	3,507,233
Other Liabilities, Net of Current Portion	2.9.7, 6.4	0	707,893
Total Non-current Liabilities		40,179,674	4,467,833
Total Liabilities		101,737,530	50,391,123
Stockholders' Equity			
Common Stock	2.9.8, 6.5.1	31,957,958	31,839,572
Ordinary Shares Issued (31,927,958 and 31,839,572 for 2019 and 2018, respectively)			
Ordinary Shares Outstanding (31,732,158 and 31,558,536 for 2019 and 2018, respectively)			
Treasury Stock (225,800 and 281,036 shares for 2019 and 2018, respectively), at Cost	2.9.8, 6.5.4	(8,357,250)	(10,398,773)
Additional Paid-in Capital	2.9.8, 6.5.5	628,176,568	619,908,453
Other Comprehensive Income Reserve	2.9.8, 6.5.7	(1,295,718)	(210,890)
Accumulated Deficit	2.9.8, 6.5.8	(255,779,786)	(152,765,728)
Total Stockholders' Equity		394,701,772	488,372,634
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		496,439,302	538,763,757

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

Consolidated Statement of Changes in Stockholders' Equity (IFRS)

	Note	Common Stock	
		Shares	€
Balance as of January 1, 2017		29,159,770	29,159,770
Compensation Related to the Grant of Stock Options, Convertible Bonds and Performance Shares		0	0
Exercise of Convertible Bonds Issued to Related Parties		261,015	261,015
Transfer of Treasury Stock for Long-Term Incentive Program		0	0
Transfer of Treasury Stock to Members of the Management Board		0	0
Reserves:			
Change in Unrealized Gains and Losses on Available-for-sale Financial Assets and Bonds, Net of Tax Effects		0	0
Change in Unrealized Gains on Cash Flow Hedges, Net of Tax Effects		0	0
Consolidated Net Loss		0	0
Total Comprehensive Income		0	0
Balance as of December 31, 2017		29,420,785	29,420,785
Application of IFRS 9		0	0
Application of IFRS 15		0	0
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 and Performance Shares	7.1, 7.3	0	0
Exercise of Convertible Bonds Issued to Related Parties	7.2	32,537	32,537
Transfer of Treasury Stock for Long-Term Incentive Program	7.3.1	0	0
Transfer of Treasury Stock to Related Parties		0	0
Reserves:			
Change in Fair Value of Shares through Other Comprehensive Income	5.9, 6.5.7	0	0
Foreign Currency Losses from Consolidation	6.5.7	0	0
Consolidated Net Loss	6.5.8	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	7.1, 7.3	0	0
Exercise of Convertible Bonds Issued	7.2, 7.5	118,386	118,386
Transfer of Treasury Stock for Long-Term Incentive Program	6.5.4, 7.3.2, 7.5	0	0
Transfer of Treasury Stock to Related Parties	6.5.4, 7.3.8	0	0
Reserves:			
Change in Fair Value of Shares through Other Comprehensive Income	5.9, 6.5.7	0	0
Foreign Currency Gains from Consolidation	6.5.7	0	0
Consolidated Net Loss	6.5.8	0	0
Total Comprehensive Income		0	0
Balance as of December 31, 2019		31,957,958	31,957,958

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

Treasury Stock		Additional Paid-in Capital	Revaluation Reserve	Other Comprehensive Income Reserve	Accumulated Deficit	Total Stockholders' Equity
Shares	€	€	€	€	€	€
396,010	(14,648,212)	428,361,175	136,101	0	(27,548,669)	415,460,165
0	0	4,974,599	0	0	0	4,974,599
0	0	8,043,313	0	0	0	8,304,328
(61,871)	2,286,752	(2,286,752)	0	0	0	0
(14,461)	534,479	(534,479)	0	0	0	0
0	0	0	117,829	0	0	117,829
0	0	0	(359,413)	0	0	(359,413)
0	0	0	0	0	(69,826,469)	(69,826,469)
0	0	0	(241,584)	0	(69,826,469)	(70,068,053)
319,678	(11,826,981)	438,557,856	(105,483)	0	(97,375,138)	358,671,039
0	0	0	105,483	0	(353,483)	(248,000)
0	0	0	0	0	1,135,014	1,135,014
319,678	(11,826,981)	438,557,856	0	0	(96,593,607)	359,558,053
0	0	176,189,256	0	0	0	178,575,506
0	0	5,584,969	0	0	0	5,584,969
0	0	1,004,580	0	0	0	1,037,117
(17,219)	636,414	(636,414)	0	0	0	0
(21,423)	791,794	(791,794)	0	0	0	0
0	0	0	0	(127,458)	0	(127,458)
0	0	0	0	(83,432)	0	(83,432)
0	0	0	0	0	(56,172,121)	(56,172,121)
0	0	0	0	(210,890)	(56,172,121)	(56,383,011)
281,036	(10,398,773)	619,908,453	0	(210,890)	(152,765,728)	488,372,634
281,036	(10,398,773)	619,908,453	0	(210,890)	(152,765,728)	488,372,634
0	0	6,654,470	0	0	0	6,654,470
0	0	3,655,168	0	0	0	3,773,554
(52,328)	1,934,043	(1,934,043)	0	0	0	0
(2,908)	107,480	(107,480)	0	0	0	0
0	0	0	0	(1,160,160)	0	(1,160,160)
0	0	0	0	75,332	0	75,332
0	0	0	0	0	(103,014,058)	(103,014,058)
0	0	0	0	(1,084,828)	(103,014,058)	(104,098,886)
225,800	(8,357,250)	628,176,568	0	(1,295,718)	(255,779,786)	394,701,772

Consolidated Statement of Cash Flows (IFRS)

in €	Note	2019	2018	2017
Operating Activities:				
Consolidated Net Loss		(103,014,058)	(56,172,121)	(69,826,469)
Adjustments to Reconcile Net Loss to Net Cash Provided by / (Used in) Operating Activities:				
Impairment of Assets	5.6, 5.8	2,317,489	24,033,479	9,863,582
Depreciation and Amortization of Tangible and Intangible Assets and of Right-of-Use Assets	5.6, 5.7, 5.8	6,245,162	3,750,259	4,028,948
Net (Gain) / Loss of Financial Assets at Fair Value through Profit or Loss (2017: Available-for-sales Financial Assets)	5.2	(752,257)	79,330	84,841
Net (Gain) / Loss of Financial Assets at Amortized Cost	5.2	705,952	0	0
(Income) from Reversals of Impairment Losses / Impairment Losses on Financial Assets	2.3.1	(872,000)	1,035,000	0
Proceeds from Derivative Financial Instruments	5.4	931,595	(488,201)	(589,134)
Net (Gain) / Loss on Derivative Financial Instruments	5.4	(1,261,618)	121,717	919,042
Net (Gain) / Loss on Sale of Property, Plant and Equipment		(21,408)	(24,093)	11,314
Non-cash Income from Recognition of previously unrecognized Intangible Assets	5.9	0	(350,000)	0
Recognition of Contract Liability (2017: Recognition of Deferred Revenue)	6.3	(5,335,977)	(1,993,763)	(19,595,746)
Share-based Payment	4.2.5, 7	6,654,470	5,584,969	4,974,599
Income Tax (Benefit) / Expenses	4.4	(3,506,419)	(4,304,674)	1,036,365
Changes in Operating Assets and Liabilities:				
Accounts Receivable	5.3	2,667,232	(6,610,625)	1,362,347
Prepaid Expenses and Other Assets, Tax Receivables and Other Receivables	5.4, 5.5	(4,422,409)	545,816	1,807,670
Accounts Payable and Accruals, Lease Liabilities, Tax Provisions and Other Provisions	6.1, 6.2	13,202,429	1,890,046	7,819,386
Other Liabilities	6.4	316,288	(2,718,825)	3,133,558
Contract Liability (2017: Deferred Revenue)	6.3	6,069,450	2,386,009	18,385,824
Income Taxes Paid		(62,560)	(33,837)	(1,861,982)
Net Cash Provided by / (Used in) Operating Activities		(80,138,639)	(33,269,514)	(38,445,855)

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

in €	Note	2019	2018	2017
Investing Activities:				
Purchase of Financial Assets at Fair Value through Profit or Loss (2017: Available-for-sale Financial Assets)		(28,305,339)	(84,511,324)	(56,406,580)
Proceeds from Sales of Financial Assets at Fair Value through Profit or Loss (2017: Available-for-sale Financial Assets)		53,159,814	126,388,925	33,231,500
Proceeds from Sales of Bonds, Available-for-sale		0	0	6,500,000
Purchase of Other Financial Assets at Amortized Cost (2017: Financial Assets Classified as Loans and Receivables)		(246,461,961)	(366,810,000)	(108,000,000)
Proceeds from Sales of Other Financial Assets at Amortized Cost (2017: Financial Assets Classified as Loans and Receivables)		318,720,000	149,980,211	170,498,593
Purchase of Property, Plant and Equipment	5.6	(3,103,330)	(1,820,749)	(1,317,058)
Proceeds from Sales of Property, Plant and Equipment		20,469	28,444	84
Purchase of Intangible Assets	5.8	(562,314)	(644,575)	(11,831,789)
Purchase of Shares at Fair Value through Other Comprehensive Income	5.9	(15,004,996)	(9,458)	0
Interest Received		90,156	136,124	257,752
Net Cash Provided by / (Used in) Investing Activities		78,552,499	(177,262,402)	32,932,502
Financing Activities:				
Proceeds of Share Issuance		0	193,613,868	0
Cost of Share Issuance		0	(15,038,362)	(15,525)
Proceeds in Connection with Convertible Bonds Granted to Related Parties	7.2	3,714,361	1,020,849	8,189,345
Principal Elements of Lease Payments	5.7	(2,349,801)	0	0
Interest Paid	5.7	(1,011,321)	(134,269)	0
Net Cash Provided by / (Used in) Financing Activities		353,239	179,462,086	8,173,820
Effect of Exchange Rate Differences on Cash		87,115	(59,463)	0
Increase / (Decrease) in Cash and Cash Equivalents		(1,145,786)	(31,129,293)	2,660,467
Cash and Cash Equivalents at the Beginning of the Period		45,459,836	76,589,129	73,928,661
Cash and Cash Equivalents at the End of the Period		44,314,050	45,459,836	76,589,129

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") develops and applies technologies for generating therapeutic antibodies. 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 at that time designated 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 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, 2019 and adopted by the European Union (EU). As of December 31, 2019, there were no standards or interpretations that affected our consolidated financial statements for the years ended December 31, 2019, 2018 and 2017 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 December 31, 2019 and 2018, as well as each of the years in the three-year period ended December 31, 2019, pertain to MorphoSys AG and its subsidiaries (collectively, the "MorphoSys Group" or the "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.

The annual financial statements of the foreign Group companies are prepared in their respective functional currencies and converted into euros prior to their consolidation. The consolidated financial statements were prepared in euros.

The annual financial statements are based on historical cost, with the exception of the following assets and liabilities, which are recorded at their respective fair values: derivative financial instruments and financial assets at fair value. All figures in this report have been rounded to the nearest euro, thousand euros or million euros.

Unless stated otherwise, the accounting policies set out below have been 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	Impact on MorphoSys
IFRS 9 (A)	Prepayment Features with Negative Compensation	01/01/2019	yes	none
IFRS 16	Leases	01/01/2019	yes	yes
IAS 19 (A)	Plan Amendment, Curtailment or Settlement	01/01/2019	yes	none
IAS 28 (A)	Long-term Interests in Associates and Joint Ventures	01/01/2019	yes	none
IFRIC 23	Uncertainty over Income Tax Treatments	01/01/2019	yes	yes
	Annual Improvements to IFRS Standards 2015 – 2017 Cycle	01/01/2019	yes	none

(A) Amendments

IFRS 16 – LEASES

The Group has adopted the new standard on leases, IFRS 16, since January 1, 2019. In the 2018 financial year, leases were accounted for in accordance with IAS 17 and the associated interpretations (IFRIC 4, SIC 15, and SIC 27). Leases recognized as operating leases under IAS 17 until December 31, 2018 were recognized as lease liabilities in the Group upon the first-time adoption of IFRS 16. In accordance with IAS 17, payments made under operating leases less incentives were recognized in the statement of profit or loss on a straight-line basis over the term of the lease.

IFRS 16 was applied for the first time as of January 1, 2019, using the modified retrospective method. The Group has not retrospectively adjusted comparative amounts for the 2018 financial year and, in accordance with IFRS 16.C8 (b) (ii), recognized the right-of-use assets in the amount of the lease liabilities on January 1, 2019. Exemptions in accordance with IFRS 16.C9 (a) for low-value leases and IFRS 16.C10 for leases previously classified as operating leases in accordance with IAS 17 have been applied. Leases entered into prior to the transition date were not reassessed to determine whether an agreement contains or is a lease at the time of initial adoption but instead retains the assessment previously made under IAS 17.

The Group assesses whether an agreement constitutes or contains a lease at the time of the agreement’s inception. The following categories of leases have been identified where the transition to IFRS 16 as of January 1, 2019 resulted in the recognition of leases previously recognized as operating leases as leases under the new standard: buildings, vehicles and technical equipment. For agreements concluded after January 1, 2019, the assessment of whether an agreement contains or is a lease is made in accordance with IFRS 16. This is the case if the agreement entitles the holder to control the use of an identified asset for a specified period of time in return for the payment of a fee.

The lease liability was measured at its present value as of January 1, 2019. To determine the present value, the remaining lease payments were discounted to January 1, 2019 using the lessee's incremental borrowing rate. The weighted-average interest rate was 2.17% and was based primarily on hypothetical bank loans granted for an asset with a value and term comparable to the right-of-use assets.

Based on the operating lease obligations as of December 31, 2018, the following reconciliation to the opening balance sheet value of the lease obligations resulted as of January 1, 2019.

in 000' €	Lease Liabilities
Operating Lease Commitments disclosed as of December 31, 2018	22,530
Commitments for Not Identifiable Assets	(90)
Leases of Low Value Assets, Expensed on a Straight-Line Basis	(56)
Other	28
Lease Liabilities, undiscounted, as of January 1, 2019	22,412
Adjustments as a Result of Different Assessment of Extension Options	26,855
Gross Lease Liabilities as of January 1, 2019	49,267
Discounting	(8,484)
Lease Liabilities as of January 1, 2019	40,783
thereof short-term	2,026
thereof long-term	38,757

For one building, extension options (twice five years after a minimum lease period of ten years) were included in the determination of the lease liability as of January 1, 2019, as it is sufficiently certain that these options will be exercised. This assessment is based on the fact that extensive conversion work has been carried out on this building to meet the Group's requirements. Consequently, there is only a limited number of alternatives to the existing building.

As a result of the first-time adoption of IFRS 16 as of January 1, 2019, right-of-use assets and lease liabilities of € 40.8 million were recognized in the balance sheet. In addition, current prepaid expenses of € 0.4 million and non-current prepaid expenses of € 2.1 million resulting from rent paid in advance were reclassified to the capitalized right-of-use assets as of January 1, 2019. Other current liabilities of € 0.1 million and other non-current liabilities of € 0.7 million from deferred rent-free periods were offset against the right-of-use assets as of January 1, 2019. These reclassifications as of January 1, 2019 resulted in right-of-use assets (€ 42.5 million) and lease liabilities (€ 40.8 million) in differing amounts and, consequently, deferred tax liabilities of € 0.2 million.

IFRS 16 has a significant effect on the components of the consolidated financial statements and the presentation of the net assets, financial position and results of operations. With the increase in total assets, the equity ratio has declined. The first-time adoption of IFRS 16 had no effect on the amount of equity as of January 1, 2019 and no material impact on the Group EBIT.

IFRIC 23 – UNCERTAINTY OVER INCOME TAX TREATMENT

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multination environment, it assessed whether the interpretation had an impact on the consolidated financial statements.

Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing.

NEW OR REVISED STANDARDS AND INTERPRETATIONS NOT YET MANDATORILY APPLICABLE

The following new or revised standards and interpretations 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)	Business Combinations	01/01/2020	no	none
IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	01/01/2020	yes	none
IFRS 17	Insurance Contracts	01/01/2021	no	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

2.2 CONSOLIDATION PRINCIPLES

Intercompany balances and transactions and any unrealized gains arising from intercompany transactions are eliminated when preparing consolidated financial statements pursuant to IFRS 10.B86. Unrealized losses are eliminated in the same manner as unrealized gains. Accounting policies have been applied consistently for all subsidiaries.

For all contracts and business transactions between Group entities, the arm's length principle was applied.

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 two wholly owned subsidiaries (collectively referred to as the "MorphoSys Group" or the "Group"): MorphoSys US Inc. (Boston, Massachusetts, USA) and Lanthio Pharma B.V. (Groningen, The Netherlands). Additionally, MorphoSys AG's investment in Lanthio Pharma B.V. indirectly gives it 100% ownership in LanthioPep B.V. (Groningen, The Netherlands).

The consolidated financial statements for the year ended December 31, 2019 were prepared and approved by the Management Board on March 11, 2020 by means of a resolution. The Management Board members are Dr. Jean-Paul Kress (Chief Executive Officer), Jens Holstein (Chief Financial Officer) and Dr. Malte Peters (Chief Development Officer).

Dr. Markus Enzelberger resigned from the management board as of February 29, 2020.

On March 11, 2020, the Management Board authorized the consolidated financial statements for issue and passed it through to the Supervisory Board for review and authorization.

2.2.2 CONSOLIDATION METHODS

The following Group subsidiaries are included in the scope of consolidation, as shown in the table below.

Company	Purchase of Shares / Establishment	Included in Basis of Consolidation since
Lanthio Pharma B.V.	May 2015	05/07/2015
LanthioPep B.V.	May 2015	05/07/2015
MorphoSys US Inc.	July 2018	07/02/2018

These subsidiaries are fully consolidated because they are either directly or indirectly wholly owned. MorphoSys controls these subsidiaries because it possesses full power over the investees. Additionally, MorphoSys is subject to risk exposure and has rights to variable returns from its involvement with the investees. MorphoSys also has unlimited capacity to exert power over the investees to influence their returns.

The Group does not have any entities consolidated as joint ventures using the equity method as defined by IFRS 11 “Joint Arrangements,” nor does it exercise a controlling influence as defined by IAS 28 “Investments in Associates and Joint Ventures.”

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

Receivables, liabilities, expenses and income among consolidated entities are eliminated in the consolidated financial statements.

2.2.3 PRINCIPLES OF FOREIGN CURRENCY TRANSLATION

IAS 21 “The Effects of Changes in Foreign Exchange Rates” governs the accounting for transactions and balances denominated in foreign currencies. Transactions denominated in foreign currencies are translated at the exchange rates prevailing on the date of the transaction. Any resulting translation differences are recognized in the consolidated statement of profit or loss. On the reporting date, assets and liabilities are translated at the closing rate for the financial year. Any foreign exchange rate differences derived from these translations are recognized in the consolidated statement of profit or loss. Other foreign currency differences at the Group level are recognized in the item “Other Comprehensive Income Reserve” (stockholder’s 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. 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 Germany. 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 required to be recognized under IFRS 9 (see Note 2.4) in the statement of profit or loss for the financial years 2019 and 2018 under the item impairment losses on financial assets were as follows. Negative values represent additions and positive values represent reversals of risk provisions. There were no impairments in the 2019 financial year. The decline in this risk provision compared with January 1, 2019 resulted from lower premiums for credit default swaps of counterparties, which are used for the determination of any impairment losses.

	General Impairment Model			Simplified Impairment Model		
in 000' €	Stage 1	Stage 2	Stage 3	Stage 2	Stage 3	Total
Balance as of January 1, 2018	(136)	0	0	(112)	0	(248)
Unused Amounts Reversed	0	0	0	112	0	112
Increase in Impairment Losses for Credit Risks recognized in Profit or Loss during the Year	(570)	(465)	0	(90)	0	(1,125)
Change between Impairment Stages	41	(41)	0	0	0	0
Amounts written off during the Year as uncollectible	0	0	0	0	0	0
Balance as of December 31, 2018	(665)	(506)	0	(90)	0	(1,261)
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)

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

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%

Balance Sheet Item as of December 31, 2018	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	43,165	(16)	43,149	0.0%
Other Financial Assets at Amortized Cost	low	Expected Twelve-Month Loss	275,805	(649)	275,156	0.2%
	medium	Lifetime Expected Credit Losses	93,102	(506)	92,596	0.5%
Accounts Receivable	low	Lifetime Expected Credit Losses	17,823	(90)	17,733	0.5%

The Group is also exposed to credit risk from debt instruments that are measured at fair value in profit or loss. As of December 31, 2019, the maximum credit risk corresponded to the carrying amounts of these investments amounting to € 20.5 million (December 31, 2018: € 44.6 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 most significant single customer accounted for € 8.0 million of accounts receivables as of December 31, 2019 (December 31, 2018: € 5.9 million) or 53% of the Group's total accounts receivable at the end of 2019. The Group's top three single customers individually accounted for 45%, 31% and 13% of the total revenue in 2019. On December 31, 2018, one customer had accounted for 33% of the Group's accounts receivable. In 2018, the top three customers individually accounted for 65%, 25% and 5% of the Group's revenue. The top three customers had individually accounted for 55%, 25% and 10% of the Group's revenue in 2017. The carrying amounts of financial assets represent the maximum credit risk.

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

in €	12/31/2019	12/31/2018
Europe and Asia	6,984,944	13,176,523
USA and Canada	8,176,758	4,646,410
Other	0	0
Impairment	(80,000)	(90,000)
Total	15,081,702	17,732,933

The following table shows the aging of accounts receivable as of the reporting date. The loss rate for accounts receivable is valued at 0.5% as of December 31, 2019 (December 31, 2018: 0.5%).

in €; due since	12/31/2019 0 - 30 days	12/31/2019 30 - 60 days	12/31/2019 60 + days	12/31/2019 Total
Accounts Receivable	15,161,702	0	0	15,161,702
Impairment	(80,000)	0	0	(80,000)
Accounts Receivable, Net of Allowance for Impairment	15,081,702	0	0	15,081,702

in €; due since	12/31/2018 0 - 30 days	12/31/2018 30 - 60 days	12/31/2018 60 + days	12/31/2018 Total
Accounts Receivable	17,822,933	0	0	17,822,933
Impairment	(90,000)	0	0	(90,000)
Accounts Receivable, Net of Allowance for Impairment	17,732,933	0	0	17,732,933

On December 31, 2019 and December 31, 2018, 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 € 1.0 million (December 31, 2018: € 0.7 million).

The following table shows the maturities of accounts payable as of the reporting date.

in €; due in	12/31/2019 Between One and Twelve Months	12/31/2019 More than 12 Months	12/31/2019 Total
Trade Accounts Payable	10,655,014	0	10,655,014
Convertible Bonds due to Related Parties	12,324	0	12,324

in €; due in	12/31/2018 Between One and Twelve Months	12/31/2018 More than 12 Months	12/31/2018 Total
Trade Accounts Payable	7,215,127	0	7,215,127
Convertible Bonds due to Related Parties	71,517	0	71,517

Financial assets and financial liabilities were not netted as of December 31, 2019. 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, 2019. There was no netting potential as of December 31, 2019 under the scope of the existing netting agreements.

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. Whereas MorphoSys's expenses are incurred largely in euros, a portion of the revenue is dependent on the prevailing exchange rate of the US dollar. 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.

Under 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, 2019, there was one unsettled forward rate agreement with a term of one month (December 31, 2018: nine unsettled forward rate agreements; December 31, 2017: twelve unsettled forward rate agreements). The unrealized gross gain from this agreement amounted to € 0.4 million as of December 31, 2019, and was recorded in the finance result (December 31, 2018: € 0.1 million unrealized gross gain; December 31, 2017: € 0.3 million unrealized gross loss).

The table below shows the Group's exposure to foreign currency risk based on the items' carrying amounts.

as of December 31, 2019; in €	Euro	US$	Other	Impairment	Total
Cash and Cash Equivalents	26,400,595	17,913,455	0	0	44,314,050
Financial Assets at Fair Value through Profit or Loss	4,233,141	16,221,808	0	0	20,454,949
Other Financial Assets at Amortized Cost	251,199,363	41,756,008	0	(298,000)	292,657,371
Accounts Receivable	14,183,334	978,368	0	(80,000)	15,081,702
Restricted Cash (included in Other Current Assets)	713,232	289,537	0	(1,000)	1,001,769
Accounts Payable and Accruals	(52,126,110)	(4,910,130)	(5,662)	0	(57,041,902)
Total	244,603,555	72,249,046	(5,662)	(379,000)	316,467,939

as of December 31, 2018; in €	Euro	US$	Other	Impairment	Total
Cash and Cash Equivalents	38,732,565	6,743,271	0	(16,000)	45,459,836
Financial Assets at Fair Value through Profit or Loss	34,971,116	9,610,148	0	0	44,581,264
Other Financial Assets at Amortized Cost	365,823,783	0	0	(1,152,000)	364,671,783
Accounts Receivable	17,570,035	252,898	0	(90,000)	17,732,933
Restricted Cash (included in Other Current Assets)	772,425	12,901	0	(3,000)	782,326
Accounts Payable and Accruals	(43,638,268)	(1,122,347)	0	0	(44,760,615)
Gesamt	414,231,656	15,496,871	0	(1,261,000)	428,467,527

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, 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.

A 10% increase in the euro versus the US dollar as of December 31, 2017, would have increased the consolidated net loss by € 0.2 million. A 10% decline in the euro versus the US dollar would have reduced the consolidated net loss by € 0.2 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. 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.

Different interest rates and their effects on existing investments with variable interest rates were simulated in a detailed sensitivity analysis in order to determine the effects on profit or loss. An increase of the variable interest rate by 0.5% would have reduced the consolidated net loss by € 0.3 million as of December 31, 2019 (December 31, 2018: € 0.4 million; December 31, 2017: € 0.6 million). A decrease of the variable interest rate by 0.5% would have increased the consolidated net loss by € 0.3 million as of December 31, 2019 (December 31, 2018: € 0.1 million; December 31, 2017: € 0.4 million). Changes in the interest rate had no material impact on equity as of December 31, 2019 or December 31, 2018.

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 IFRS 13 “Fair Value Measurement” guidelines must always be applied when measurement at fair value is required or permitted or disclosures regarding measurement at fair value are required based on another IAS/IFRS guideline. 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). Accordingly, the fair value of a liability reflects the default risk (i.e., own credit risk). 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. Thus, IFRS 13 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 5.2 and 5.9).

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 forward exchange contracts to hedge exchange rate fluctuations, term deposits and restricted cash. Future cash flows for these forward exchange contracts 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.

Financial assets belonging to Hierarchy Level 3 are shown in Note 5.9. No financial liabilities were assigned to Hierarchy Level 3.

There were no transfers from one fair value hierarchy level to another in 2019 or 2018.

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

December 31, 2019;

in 000' €	Note	Hierarchy Level	Not classified into a Measurement Category	Financial Assets at Amortized Cost	Financial Assets at Fair Value (Through Profit or Loss)
Cash and Cash Equivalents	5.1	*		44,314	0
Financial Assets at Fair Value through Profit or Loss	5.2	1		0	20,455
Other Financial Assets at Amortized Cost	5.2	*		207,735	0
Accounts Receivable	5.3	*		15,082	0
Other Receivables					
thereof Financial Assets		*		1,217	
thereof Forward Exchange Contracts used for Hedging	5.4	2		0	396
Current Assets				268,348	20,851
Other Financial Assets at Amortized Cost, Net of Current Portion	5.2	2		84,922	0
Shares at Fair Value through Other Comprehensive Income	5.9				
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	5.10				
thereof Non-Financial Assets		n/a	147		
thereof Restricted Cash		2		989	0
Non-current Assets			147	85,911	0
Total			147	354,259	20,851
Accounts Payable and Accruals	6.1	*		0	0
Current Portion of Lease Liabilities	5.7	n/a	(2,515)		
Convertible Bonds – Liability Component		2		0	0
Current Liabilities				0	0
Lease Liabilities, Net of Current Portion	5.7	n/a	(40,042)		
Non-current Liabilities				0	0
Total				0	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 Other Comprehensive Income)	Financial Liabilities at Amortized Cost	Financial Liabilities at Fair Value	Total Carrying Amount	Fair value
0	0	0	44,314	*
0	0	0	20,455	20,455
0	0	0	207,735	*
0	0	0	15,082	*
			1,613	
			1,217	*
0	0	0	396	396
0	0	0	289,199	
0	0	0	84,922	84,922
			14,077	
13,690	0	0	13,690	13,690
387	0	0	387	387
			1,136	
			147	n/a
0	0	0	989	989
14,077	0	0	100,135	
14,077	0	0	389,334	
0	(57,042)	0	(57,042)	*
			(2,515)	**
0	(12)	0	(12)	(12)
0	(57,054)	0	(59,569)	
			(40,042)	**
0	0	0	(40,042)	
0	(57,054)	0	(99,611)	

December 31, 2018;

in 000' €	Note	Hierarchy Level	Not classified into a Measurement Category	Financial Assets at Amortized Cost	Financial Assets at Fair Value (Through Profit or Loss)
Cash and Cash Equivalents	5.1	*		45,460	0
Financial Assets at Fair Value through Profit or Loss	5.2	1		0	44,581
Other Financial Assets at Amortized Cost	5.2	*		268,923	0
Accounts Receivable	5.3	*		17,733	0
Other Receivables					
thereof Financial Assets		*		81	
thereof Forward Exchange Contracts used for Hedging	5.4	2		0	66
Current Assets				332,197	44,647
Other Financial Assets at Amortized Cost, Net of Current Portion	5.2	2		95,749	0
Shares at Fair Value through Other Comprehensive Income	5.9	3		0	0
Prepaid Expenses and Other Assets, Net of Current Portion	5.10				
thereof Non-Financial Assets		n/a	2,271		
thereof Restricted Cash		2		711	0
Non-current Assets			2,271	96,460	0
Total			2,271	428,657	44,647
Accounts Payable and Accruals	6.1	*		0	0
Current Liabilities				0	0
Convertible Bonds – Liability Component		2		0	0
Non-current Liabilities				0	0
Total				0	0

* Declaration waived in line with IFRS 7.29 (a). For these instruments the carrying amount is a reasonable approximation of fair value.

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	45,460*	
0	0	0	44,581	44,581
0	0	0	268,923*	
0	0	0	17,733*	
			147	
			81*	
0	0	0	66	66
0	0	0	376,844	
0	0	0	95,749	95,749
232	0	0	232	232
			2,982	
			2,271	n/a
0	0	0	711	701
232	0	0	98,963	
232	0	0	475,807	
0	(44,761)	0	(44,761)	*
0	(44,761)	0	(44,761)	
0	(72)	0	(72)	(72)
0	(72)	0	(72)	
0	(44,833)	0	(44,833)	

2.4 IMPAIRMENT

2.4.1 FINANCIAL INSTRUMENTS

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 corporate 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). 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 as of that date the interest is accrued on the basis of 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. Impairment of financial instruments is recognized under impairment losses on financial assets.

2.4.2 RECEIVABLES

In the case of accounts receivable, the Group applies the simplified approach under IFRS 9, which requires expected lifetime losses to be recognized from the initial recognition of the receivables (Level 2). In the case of insufficient reason to expect recovery, 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 in the same industry and are therefore exposed to the same credit risks. 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. 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 inventories’ net realizable value is estimated if such indication exists. For goodwill and intangible assets that have indefinite useful lifes or are not yet available for use, the recoverable amount is estimated at the same time each year, or 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 costs 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 milestones, royalties and contracts with multiple performance obligations are subject to assumptions regarding probabilities of occurrence and individual selling prices within the scope of the accounting and measurement principles explained in Note 2.7.1.

FIINANCIAL 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.

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 Notes 5.8.3 and 5.8.5).

INCOME TAXES

The Group is subject to income taxes in a number of tax jurisdictions. Due to the increasing complexity of tax laws and the corresponding uncertainty regarding the legal interpretation by the fiscal authorities, tax calculations are generally subject to an elevated amount of uncertainty. To the extent necessary, possible tax risks are taken into account in the form of provisions.

Deferred tax assets on tax loss carryforwards are recognized based on the expected business performance of the relevant Group entity. For details on tax loss carryforwards and any recognized deferred tax assets, please refer to Note 4.4.

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, 2019, the equity ratio was 79.5% (December 31, 2018: 90.6%; see also the following overview). The Group does not currently have any financial liabilities.

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 and 2019, in accordance with the bonus system approved by the Annual General Meeting. In addition, MorphoSys established a Long-Term Incentive Plan (LTI Plan) for the Management Board and certain employees of MorphoSys AG in 2015, 2016, 2017, 2018 and 2019. In 2019, MorphoSys established long-term incentive programs (Long-Term Incentive Plan – LTI Plan and Restricted Stock Unit Plan – RSU Plan) for the President and 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 Plan), which are finally allocated upon achievement of specific predefined performance criteria and after the expiration of the vesting period (see Notes 7.3 and 7.4). The Group did not make any changes to its capital management during the year.

in 000' €	12/31/2019	12/31/2018
Stockholders' Equity	394,702	488,373
In % of Total Capital	79.5%	90.6%
Total Liabilities	101,738	50,391
In % of Total Capital	20.5%	9.4%
Total Capital	496,439	538,764

2.6 USE OF INTEREST RATES FOR MEASUREMENT

The Group uses 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

As of January 1, 2018, the Group has adopted IFRS 15.

The IFRS 15 standard on revenues requires a 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 license fees, milestone payments, service fees, and royalties.

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 the IP and benefit from it and 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 when the milestone is more likely than not to be realized and it is highly unlikely that there will be a material reversal of accumulated revenue in future periods.

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 legal title of 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. Should that be the case, the agreement would not fall within the scope of IFRS 15 because the parties share equally in the risk of co-developing a drug and in the future profits from the marketing of the approved drug.

REVENUE RECOGNITION THROUGH DECEMBER 31, 2017

The Group applied the revenue recognition principles under IAS 18 "Revenue" through December 31, 2017.

The Group's revenues in 2017 included license fees, milestone payments and service fees. Under IAS 18.9, revenues were measured at the fair value of the consideration received or receivable. In accordance with IAS 18.20b, revenues were recognized only to the extent that it was sufficiently probable that the company would receive the economic benefits associated with the transaction.

LICENSE FEES AND MILESTONE PAYMENTS

Revenues related to non-refundable fees for providing access to technologies, fees for the use of technologies and license fees were recognized immediately and in full when all of the IAS 18.14 criteria were met and, specifically, when the material risks and rewards of license ownership were transferred to the customer and a Group company did not retain any continuing managerial involvement or effective control. If these criteria were not met, revenues were deferred on a straight-line basis over the period of the agreement, unless a more appropriate method of revenue recognition was available. The term of the agreement usually corresponded to the contractually agreed term of the research project or, in the case of contracts without an agreed term, the expected term of the collaboration. Revenues from milestone payments were recognized upon the achievement of certain contractual criteria.

SERVICE FEES

Service fees from research and development collaborations were recognized in the period the services were rendered.

Discounts that were likely to be granted and whose amount could be reliably determined were recognized as a reduction in revenue at the time of revenue recognition. The timing of the transfer of risks and rewards varied depending on the terms of the sales contract. In accordance with IAS 18.21 and 18.25, revenues from multiple-component contracts were recognized by allocating the total consideration to the separately identifiable components based on their respective fair values and by applying IAS 18.20. The applicable revenue recognition criteria were assessed separately for each component.

2.7.2 OPERATING EXPENSES

COST OF SALES

Cost of sales is recognized as an expense in the period in which the associated revenue accrues. This line item contains personnel expenses, impairment on inventories, other operating expenses and costs for external services.

RESEARCH AND DEVELOPMENT EXPENSES

Research costs are expensed in the period in which they occur. Development costs are generally expensed as incurred in accordance with IAS 38.5 and IAS 38.11 to 38.23. Development costs are recognized as an intangible asset when the criteria of IAS 38.21 (probability of expected future economic benefits, reliability of cost measurement) are met and when the Group can provide proof in accordance with IAS 38.57.

This line item contains personnel expenses, consumable supplies, other operating expenses, impairment charges, amortization and other costs related to intangible assets (additional information can be found under Note 5.8), costs for external services, infrastructure costs and depreciation.

SELLING EXPENSES

The item includes personnel expenses, consumable supplies, operating costs, amortization of intangible assets (software; additional information can be found under Note 5.8), costs for external services, infrastructure costs and depreciation.

GENERAL AND ADMINISTRATIVE EXPENSES

The item includes personnel expenses, consumable supplies, operating costs, amortization of intangible assets (software; additional information can be found under Note 5.8), costs for external services, infrastructure costs and depreciation.

PERSONNEL EXPENSES FROM STOCK OPTIONS

The Group applies the provisions of IFRS 2 “Share-based Payment,” which oblige the Group to spread 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.

IFRS 2 “Share-based Payment” requires the consideration of the effects of share-based payments 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”). The most important effect of IFRS 2 on the Group is the personnel expense resulting from the use of an option pricing model for share-based incentives for the Management Board and employees. Additional information on this topic can be found in Notes 7.1, 7.2, 7.3, 7.4 and 7.5.

OPERATING LEASE PAYMENTS

Until December 31, 2018, payments made within the scope of operating leases were recognized according to IAS 18 in profit or loss on a straight-line basis over the term of the lease. 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 until December 31, 2018. The Group did not engage in any finance lease arrangements.

2.7.3 OTHER INCOME

In addition to currency gains from operating activities, other income consists primarily of income originating from the Company's own canteen.

GOVERNMENT GRANTS

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.

When the repayment of cost subsidies is linked to the success of the development project, these cost subsidies are recognized as other liabilities until success has been achieved. If the condition for repayment is not met, then the grant is recognized under "other income".

No payments were granted in the 2019, 2018 or 2017 financial years 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 arising from changes in fair value, as well as interest effects from the application of the effective interest method to financial assets are recognized in profit or loss when incurred.

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 return are considered unlikely to be accepted by the tax authorities (uncertain tax positions), a provision for income taxes is recognized. The amount is based on the best possible assessment of the tax payment expected. Tax refund claims from uncertain tax positions are recognized when it is probable that they can be realized.

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 carry-forwards, 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.

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 character and amounts of taxable future profits, the periods in which those profits are expected to occur, and the availability of tax planning opportunities. The Group recognizes a write-down of deferred tax assets when it is unlikely that a corresponding amount of future taxable profit will be available against which the deductible temporary differences, tax loss carry forwards and tax credits 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 in accordance with IAS 33.41. Basic earnings per share are computed by dividing the net profit or loss attributable to parent company shareholders by the weighted-average number of ordinary shares outstanding for the reporting period. Diluted earnings per share are calculated in the same manner with the exception that the net profit or loss attributable to parent company shareholders and the weighted-average number of ordinary shares outstanding are adjusted for any dilutive effects resulting from stock options and convertible bonds granted to the Management Board and employees.

In 2019, 2018 and 2017, diluted earnings per share equaled basic earnings per share. The effect of 57,035 potentially dilutive shares in 2019 (2018: 120,214 dilutive shares; 2017: 87,904 dilutive shares) resulting from stock options and convertible bonds granted to the Management Board, the Senior Management Group and employees of the Company who are not members of the Senior Management Group, 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 115,684 stock options still unvested as of December 31, 2019 are not included in the calculation of potentially dilutive shares, as they were anti-dilutive for the 2019 financial year. These shares may potentially have a dilutive effect in the future.

2.8 ACCOUNTING POLICIES APPLIED TO BALANCE SHEET ASSETS

2.8.1 LIQUIDITY

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 classification depends on the Company’s business model with respect to the management of the financial assets and the contractual cash flows. For assets measured at fair value, gains and losses are recognized either in other comprehensive income or in profit or loss. The Group only reclassifies debt instruments when the business model for managing such assets changes.

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, Rabobank, Banque Européenne du Crédit Mutuel 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

A purchase or sale of financial assets in a manner that is customary for the market is recognized as of the trade date, which is the date on which the Group commits to buying or selling the 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. 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 on a net basis in the finance result in the period in which they occur.

DERIVATIVES

The Group uses derivatives to hedge its foreign exchange risk and cash flows. 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. 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 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 5.3).

Income tax receivables mainly include receivables due from tax authorities in the context of capital gain taxes withheld.

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

2.8.3 INVENTORIES

Inventories are measured at the lower value of production or acquisition cost and net realizable value under the first-in, first-out method. Acquisition costs comprise all purchase costs, including those incurred in bringing the inventories into operating condition, and take into account purchase price reductions, such as bonuses and discounts. 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.

In addition, inventory comprises manufacturing costs for the fermentation runs of antibody material (tafasitamab) that is required for the approval process in the United States. If successfully approved, the material may be used later for commercialization. Commercialization is regarded as a sale in the ordinary course of business in accordance with IAS 2, hence the material is accounted for as inventory. According to the Group's accounting policies, these quantities qualify as inventory. Before tafasitamab has received market approval, this inventory is valued at a net realizable value of zero. The resulting impairment is accounted for in cost of sales.

2.8.4 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 and receivables from upfront payments. This item is recognized at nominal value.

2.8.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at historical cost less accumulated depreciation (see Note 5.6) and any impairment losses (see Note 2.4.). 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 is depreciated on a straight-line basis over its estimated useful life (see table below). Leasehold improvements are depreciated on a straight-line basis over either the asset's estimated useful life or the remaining term of the lease – whichever is shorter.

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

The residual values and useful lifes 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.

2.8.6 LEASES

As of January 1, 2019, the Group applies IFRS 16, the new standard on leases, using the modified retrospective method (see Note 2.1.2).

For lessees, IFRS 16 introduces an uniform approach 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, initial direct costs and dismantling obligations. Subsequent measurement of right-of-use assets is at cost. The right-of-use assets are amortized on a straight-line basis over either the useful life or the term of the lease agreement – whichever is shorter.

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 financial expenses in the statement of profit or loss, there is a material effect on Group EBIT in the financial year compared with the application of IAS 17. 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 under IFRS 16. 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.

To examine the necessity of an impairment of a right-of-use asset, the Group applies IAS 36 and recognizes impairment losses in accordance with the principles described in section 2.4.3.

2.8.7 INTANGIBLE ASSETS

Purchased intangible assets are capitalized at acquisition cost and exclusively amortized on a straight-line basis over their useful lifes. Internally generated intangible assets are recognized to the degree the recognition criteria set out in IAS 38 are met.

Development costs are capitalized as intangible assets when the capitalization criteria described in IAS 38 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 research and development expenses.

Expenses to be classified as research expenses are allocated to research and development expenses as defined by IAS 38.

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 is recorded at the fair value at the time of acquisition, less accumulated amortization (useful life of ten years).

LICENSE RIGHTS

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 (eight to ten years). The amortization period and method are reviewed at the end of each financial year in accordance with IAS 38.104. 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.

IN-PROCESS R&D PROGRAMS

This line item contains 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 includes compounds and antibody programs resulting from acquisitions. The assets are recorded at acquisition cost and are not yet available for use and therefore not subject to scheduled amortization. Given that the Group applies the cost accumulation approach, milestones in the near future are not accounted for. The assets are tested for impairment annually or in case of triggering events, as required by IAS 36.

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.

GOODWILL

Goodwill is recognized for expected synergies from business combinations and the skills of the acquired workforce. Goodwill is tested annually for impairment as required by IAS 36 (see Note 5.8.5).

Intangible Asset Class	Useful Life	Amortization Rates
Patents	10 years	10%
License Rights	8 - 10 years	13% - 10%
In-process R&D Programs	Not yet amortized, Impairment Only	-
Software	3 - 5 years	33% - 20%
Goodwill	Impairment Only	-

2.8.8 SHARES AT 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.

2.8.9 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 ACCOUNTS PAYABLE, OTHER LIABILITIES AND OTHER PROVISIONS

Accounts payable and other liabilities are initially recognized at fair value and subsequently at amortized cost using the effective interest method. 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 provisions.

IAS 37 requires the recognition of provisions for obligations to third parties arising from past events. Furthermore, provisions are only recognized for legal or factual obligations to third parties if the event’s occurrence is more likely than not. Provisions 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 provisions is recorded in the finance result. The measurement of provisions 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 provisions 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.

2.9.2 TAX PROVISIONS

Tax liabilities are recognized and measured at their nominal value. Tax liabilities contain obligations from current taxes, excluding deferred taxes. Provisions 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.

2.9.3 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 in accordance with IFRS 15.35 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.

2.9.4 CONTRACT LIABILITIES, NET OF CURRENT PORTION

This line item includes the non-current portion of deferred customers upfront payments and revenue that must be recognized over a period of time in accordance with IFRS 15.35. Contractual liabilities are measured at the nominal amount of cash received.

2.9.5 CONVERTIBLE BOND OBLIGATIONS TO RELATED PARTIES

The Group has issued convertible bonds to the Group's Management Board and employees. In accordance with IAS 32.28, 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 Group applies the provisions of IFRS 2 "Share-based Payment" to all convertible bonds granted to the Management Board and the Group's employees.

2.9.6 DEFERRED TAXES

The recognition and measurement of deferred taxes are based on the provisions of IAS 12. 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 the entity has a legally enforceable right to offset current tax assets against current tax liabilities. In accordance with IAS 12, deferred tax assets and liabilities may not be discounted.

2.9.7 OTHER LIABILITIES

The line item "other liabilities" consisted until December 31, 2018 of a deferred amount related to rent-free periods as agreed. The corresponding reversal of these liabilities over the minimum rent period is calculated

based on the effective interest method. Other liabilities are discounted at an interest rate equivalent to the rent period due to their long-term maturities. Further information on the treatment of this position as of January 1, 2019 can be found in Notes 2.1.2.

2.9.8 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 7.3.1 and 7.3.2.

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 and 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

MorphoSys Group applies IFRS 8 "Operating Segments". 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 4.3 for a breakdown of finance income and expenses. Other key internal reporting figures include revenues, operating expenses, segment results and the liquidity position. The Group consists of the operating segments described below.

3.1 PROPRIETARY DEVELOPMENT

The segment comprises all activities related to the proprietary development of therapeutic antibodies and peptides. Currently, this segment's activities comprise a total of twelve antibodies and peptides, with tafasitamab representing the Company's most advanced proprietary clinical program. Also included are the antibody MOR202, which was partially out-licensed to I-Mab Biopharma and MOR106, which had been co-developed with Galapagos and was out-licensed to Novartis in July 2018. Also included is 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. These include the clinical program MOR107 (formerly LP2), which originated from the acquisition of Lanthio Pharma B.V. This program was evaluated in a phase 1 study in healthy volunteers and is currently undergoing preclinical studies for oncology indications. 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 possesses a technology for generating therapeutics 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	Proprietary Development			Partnered Discovery			Unallocated			Group		
(in 000' €)	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017
External Revenues	34,286	53,610	17,635	37,469	22,832	49,156	0	0	0	71,755	76,442	66,791
Operating Expenses	(143,459)	(107,019)	(99,106)	(10,671)	(9,516)	(18,906)	(25,723)	(19,969)	(15,835)	(179,853)	(136,504)	(133,847)
Segment Result	(109,173)	(53,409)	(81,471)	26,798	13,316	30,250	(25,723)	(19,969)	(15,835)	(108,098)	(60,062)	(67,056)
Other Income	125	159	157	0	0	0	680	1,486	963	805	1,645	1,120
Other Expenses	(19)	0	0	0	0	0	(608)	(689)	(1,671)	(627)	(689)	(1,671)
Segment EBIT	(109,067)	(53,250)	(81,314)	26,798	13,316	30,250	(25,651)	(19,172)	(16,543)	(107,920)	(59,106)	(67,607)
Finance Income										2,799	418	712
Finance Expenses										(2,272)	(754)	(1,895)
Income from Reversals of Impairment Losses / (Impairment Losses) on Financial Assets										872	(1,035)	0
Earnings before Taxes										(106,521)	(60,477)	(68,790)
Income Tax Benefit / (Expenses)										3,506	4,305	(1,036)
Net Loss										(103,015)	(56,172)	(69,826)
Current Assets	12,155	15,842	8,802	11,078	7,114	18,054	280,460	365,949	313,825	303,693	388,905	340,681
Non-current Assets	72,928	42,041	60,658	11,851	6,288	8,490	107,967	101,530	5,569	192,746	149,859	74,717
Total Segment Assets	85,083	57,883	69,460	22,929	13,402	26,544	388,427	467,479	319,394	496,439	538,764	415,398
Current Liabilities	36,176	32,167	33,008	2,877	1,471	4,083	22,505	12,285	10,610	61,558	45,923	47,701
Non-current Liabilities	27,775	3,291	7,072	5,771	158	1,045	6,633	1,019	909	40,179	4,468	9,026
Stockholders' Equity	0	0	0	0	0	0	394,702	488,373	358,671	394,702	488,373	358,671
Total Segment Liabilities and Equity	63,951	35,458	40,080	8,648	1,629	5,128	423,840	501,677	370,190	496,439	538,764	415,398
Capital Expenditure	2,830	1,319	12,344	625	879	602	207	268	204	3,662	2,466	13,150
Depreciation and Amortization	1,718	1,903	1,555	1,385	1,429	2,075	355	418	400	3,458	3,750	4,030

The segment result is defined as the segment's revenue, less the segment's operating expenses. The unallocated operating expenses of € 25.7 million (2018: € 20.0 million; 2017: € 15.8 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 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 2019 financial year, impairments totaling € 1.6 million were recognized in the Proprietary Development segment on property, plant and equipment as well as intangible assets (2018: impairments of € 19.2 million in the Proprietary Development segment; 2017: impairments of € 9.9 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, 2019, the single most important customer represented accounts receivable with a carrying amount of € 8.0 million (December 31, 2018: € 5.9 million). The largest customer for the Group accounted for revenues in 2019 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. In 2017, the largest customer accounted for € 36.9 million of the Group's total revenue, the second largest € 16.8 million and the third largest € 6.7 million. The largest and third largest customers were allocated to the Partnered Discovery segment, and the second largest customer to the Proprietary Development segment.

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

in 000' €	2019	2018	2017
Germany	145	309	851
Europe and Asia	39,322	56,784	57,229
USA and Canada	32,288	19,350	8,711
Total	71,755	76,443	66,791

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

	Proprietary Development		Partnered Discovery	
in 000' €	2019	2018	2019	2018
At a Point in Time thereof performance obligations fulfilled in previous periods: in Proprietary Development € 29.1 million in 2019 and € 0 in 2018 and in Partnered Discovery € 32.9 million in 2019 and € 19.0 million in 2018	34,286	53,610	36,984	22,268
Over Time	0	0	485	564
Total	34,286	53,610	37,469	22,832

A total of € 175.8 million (December 31, 2018: € 136.1 million) € 12.5 million (December 31, 2018: € 13.7 million) and € 4.4 million of the Group's non-current assets, excluding deferred tax assets, are located in Germany, the Netherlands and the USA, respectively. There were no non-current assets in the USA as of December 31, 2018. Of the Group's investments, € 2.3 million (December 31, 2018: € 2.4 million) were made in Germany, € 1.3 million (December 31, 2018: € 0) in the USA and less than € 0.1 million (December 31, 2018: € 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 Notes to Profit or Loss

4.1 REVENUES

In 2019, revenues consisted of milestone payments and royalties totaling € 62.3 million (2018: € 19.3 million; 2017: € 7.3 million). Of this amount, € 29.1 million was generated in the Proprietary Development segment and € 33.2 million in the Partnered Discovery segment. In 2018 and 2017 the revenues from milestone payments and royalties were entirely generated by the Partnered Discovery segment.

Revenues from license fees (excluding milestone payments and royalties) amounted to € 0.3 million in 2019 (2018: € 51.2 million; 2017: € 37.5 million) and originated entirely from the Partnered Discovery segment. In 2018, revenues from license fees (excluding milestone payments and royalties) from the Proprietary Development segment amounted to € 50.6 million and € 0.6 million originated from the Partnered Discovery segment (2017: € 16.8 million and € 20.7 million, respectively).

Revenues from service fees totaled € 9.2 million (2018: € 5.9 million; 2017: € 22.0 million) in the reporting year with € 5.2 million of this amount attributable to the Proprietary Development segment (2018: € 3.0 million; 2017: € 0.8 million). Revenues from service fees of € 4.0 million were attributable to the Partnered Discovery segment (2018: € 2.9 million; 2017: € 21.2 million). Substantially all service fee revenues relate to revenue on a gross basis (principal).

Of the total revenues generated in 2019, a total of € 62.0 million were recognized from performance obligations that were fulfilled in previous periods and concern milestone payments and royalties (2018: € 19.0 million; 2017: € 7.8 million).

4.2 OPERATING EXPENSES

4.2.1 COST OF SALES

Cost of sales consists of the following:

in 000' €	2019	2018	2017
Personnel Expenses	3,233	1,797	0
Impairment on Inventories	8,685	0	0
Other Operating Expenses	18	0	0
External Services	49	0	0
Other	100	0	0
Total	12,085	1,797	0

4.2.2 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses consist of the following:

in 000' €	2019	2018	2017
Personnel Expenses	30,131	25,288	28,482
Consumable Supplies	2,874	2,310	2,588
Other Operating Expenses	3,142	2,761	2,757
Impairment, Amortization and Other Costs of Intangible Assets	5,631	22,760	13,503
External Services	60,710	47,889	61,119
Depreciation and Other Costs for Infrastructure	5,944	5,389	4,865
Total	108,432	106,397	113,314

4.2.3 SELLING EXPENSES

Selling expenses consist of the following:

in 000' €	2019	2018	2017
Personnel Expenses	6,967	2,536	1,771
Consumable Supplies	14	3	1
Other Operating Expenses	1,158	538	386
Amortization of Intangible Assets	11	25	0
External Services	14,150	2,953	2,658
Depreciation and Other Costs for Infrastructure	371	328	0
Total	22,671	6,383	4,816

4.2.4 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of the following:

in 000' €	2019	2018	2017
Personnel Expenses	23,382	15,016	11,797
Consumable Supplies	389	15	33
Other Operating Expenses	1,875	1,012	714
Amortization of Intangible Assets	39	97	112
External Services	9,241	4,475	2,224
Depreciation and Other Costs for Infrastructure	1,739	1,313	838
Total	36,665	21,928	15,718

4.2.5 PERSONNEL EXPENSES

Personnel expenses consist of the following:

in 000' €	2019	2018	2017
Wages and Salaries	43,476	30,349	28,196
Social Security Contributions	5,686	4,341	4,542
Share-based Payment Expense	6,654	5,585	4,975
Temporary Staff (External)	2,633	1,241	881
Other	5,264	3,121	3,456
Total	63,713	44,637	42,050

In the years 2019, 2018 and 2017, other personnel expenses consisted mainly of costs for personnel support and personnel development.

The average number of employees in the 2019 financial year was 374 (2018: 327; 2017: 344). Of the 426 employees on December 31, 2019 (December 31, 2018: 329; December 31, 2017: 326), 300 were active in research and development (December 31, 2018: 246; December 31, 2017: 253), 40 in sales (December 31, 2018: 21; December 31, 2017: 14), and 86 were engaged in general and administrative functions (December 31, 2018: 62 employees; December 31, 2017: 59 employees). As of December 31, 2019, there were 249 employees in the Proprietary Development segment and 61 employees in the Partnered Discovery segment while 116 employees were not allocated to a specific segment (December 31, 2018: 209 in the Proprietary Development segment, 49 employees in the Partnered Discovery segment and 71 employees were unallocated; December 31, 2017: 161 in the Proprietary Development segment, 105 employees in the Partnered Discovery segment and 60 employees were unallocated). Costs for defined-contribution plans amounted to € 0.7 million in 2019 (2018: € 0.7 million; 2017: € 0.6 million).

4.3 OTHER INCOME AND EXPENSES, FINANCE INCOME AND FINANCE EXPENSES

in 000' €	2019	2018	2017
Gain on Foreign Exchange	233	677	485
Grant Income	98	153	157
Gain from recognition of previously unrecognized intangible assets	0	350	0
Reversal of Impairment for Accounts Receivable Previously Deemed Impaired	0	0	76
Miscellaneous Income	474	465	402
Other Income	805	1,645	1,120
Loss on Foreign Exchange	(413)	(457)	(844)
Miscellaneous Expenses	(214)	(232)	(827)
Other Expenses	(627)	(689)	(1,671)
Gain on Derivatives	1,476	322	441
Gain on Financial Assets at Fair Value through Profit or Loss (2017: Gain on Available-for-sale Financial Assets and Bonds)	1,101	5	35
Interest Income on Other Financial Assets at Amortized Cost	223	91	236
Finance Income	2,799	418	712
Loss on Derivatives	(214)	(444)	(1,360)
Loss on Financial Assets at Fair Value through Profit or Loss (2017: Loss on Available-for-sale Financial Assets and Bonds)	(299)	(85)	(120)
Interest Expenses for Other Financial Assets at Amortized Cost	(796)	(53)	(374)
Interest Expenses on Lease Liabilities	(932)	0	0
Interest Expenses for Financial Liabilites at Amortized Cost	0	(126)	0
Bank Fees	(31)	(46)	(41)
Finance Expenses	(2,273)	(754)	(1,895)

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

in 000' €	2019	2018	2017
Financial Assets at Fair Value through Profit or Loss	2,063	(202)	(919)
Other Financial Assets at Amortized Cost	299	(978)	0
Shares at Fair Value through Other Comprehensive Income	(1,160)	(127)	0
Financial Liabilities at Amortized Cost	0	(126)	0
Available-for-sale Financial Assets	0	0	(190)
Financial Assets classified as Loans and Receivables	0	0	(164)
Total	1,202	(1,433)	(1,273)

Net gains or losses mainly comprised gains and losses from currency hedging, interest income and expenses, as well as valuation effects from changes in fair value.

4.4 INCOME TAX EXPENSES/BENEFITS

MorphoSys AG is subject to corporate taxes, the solidarity surcharge and trade taxes. The Company's corporate 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%).

MorphoSys US Inc. is subject to Federal Corporate Income Tax of 21% and the State Income Tax in Boston, Massachusetts of 8%.

The Dutch entities Lanthio Pharma B.V. and LanthioPep B.V. are subject to an income tax rate of 25% on annual income exceeding € 200,000; annual income below € 200,000 is subject to a tax rate of 19%. Depending on

certain conditions, the Dutch “Innovation Box” may be applicable. This “Innovation Box” provides for a special tax regulation under which all income to be allocated to qualifying intellectual property is subject to an effective Dutch corporate income tax rate of previously 5%, and now 7% since January 1, 2018.

In the Netherlands the reduction of corporate income tax from 25% to 21.7% on an annual income exceeding € 200.00 was decided in 2019 and will be effective from 2021. The corresponding deferred taxes were therefore revalued. Deferred taxes expected to reverse in 2020 were measured at the effective tax rate of 25% applicable at that time. For fiscal years after December 31, 2020, the Group has applied the new tax rate of 21.7%. In addition, 70% of income was considered taxable under the “Innovation Box”, resulting in a weighted tax rate of 11.41%.

in 000’ €	2019	2018	2017
Current Tax Benefit / (Expense) (Thereof Regarding Prior Years: € 0; 2018: k€ 1; 2017: k€ 171)	(1)	1	(534)
Deferred Tax Benefit / (Expenses)	3,507	4,304	(502)
Total Income Tax Benefit / (Expenses)	3,506	4,305	(1,036)

The deferred tax benefit in 2019 resulted mainly from the Dutch entities Lanthio Pharma B.V. and LanthioPep B.V. with the mentioned change in the applicable tax rate. This effect from change in tax rates were recognized in the statement of profit or loss with an amount of € 1.8 million tax benefit, as they did not affect any items that had previously been recognized directly in equity. A tax benefit of € 1.4 million is recognized from deferred taxes on loss carryforwards previously not recognized.

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 2019 financial year (2018: 26.675%; 2017: 26.675%) was applied to profit before taxes to calculate the statutory income tax expense. This rate consisted of 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’ €	2019	2018	2017
Earnings Before Income Taxes	(106,520)	(60,477)	(68,790)
Expected Tax Rate	26.675%	26.675%	26.675%
Expected Income Tax	28,414	16,132	18,350
Tax Effects Resulting from:			
Share-based Payment	(387)	(363)	(290)
Permanent Differences	(101)	0	0
Non-Tax-Deductible Items	(151)	(126)	(134)
Differences in Profit or Loss-Neutral Adjustments	(310)	3,716	37
Non-Recognition of Deferred Tax Assets on Temporary Differences	0	(349)	3,256
Non-Recognition of Deferred Tax Assets on Current Year Tax Losses	(24,285)	(14,497)	(22,007)
Tax Rate Differences to Local Tax Rates	(1,461)	(268)	(71)
Effect of Tax Rate Changes	1,789	0	0
Prior Year Taxes	0	1	(171)
Other Effects	-2	59	(6)
Actual Income Tax	3,506	4,305	(1,036)

As of December 31, 2019, due to losses that are expected to be incurred as a result of continued substantial investment in proprietary product development and related business development of the MorphoSys Group, no deferred tax assets in the amount of € 76.0 million (December 31, 2018: € 51.0 million) were recognized for tax loss carryforwards.

In Germany, due to uncertain forecasts, a deferred tax asset can only be capitalized to the extent sufficient deferred tax liabilities from temporary differences exist. Due to the history of losses and the current uncertainties regarding the realization of planned taxable income, corresponding deferred tax assets were not recognized.

in 000' €	Unlimited Carry-Forward of Tax Losses	Limited Carry-Forward of Tax Losses; Expiry 2020 to 2025	Total
Tax Losses from Prior Years	177,317	17,478	194,795
Tax Losses from Current Year	118,100	2,961	121,061
Expiry of Tax Losses in 2019	0	(4)	(4)
Total Tax Losses as of December 31, 2019	295,417	20,435	315,852
Expected Deferred Tax Assets on Total Tax Losses	77,607	2,322	79,939
Write-Down of Deferred Tax Assets on Total Tax Losses	75,115	981	76,096
Deferred Tax Assets on Tax Losses as of December 31, 2019	2,492	1,351	3,843

Deferred tax assets and deferred tax liabilities consist of the following.

in 000's €, as of December 31	Deferred Tax Asset 2019	Deferred Tax Asset 2018	Deferred Tax Liability 2019	Deferred Tax Liability 2018
Leases	1	0	448	0
Intangible Assets	8,138	0	1,351	4,317
Receivables and Other Assets	0	319	55	0
Other Provisions	0	278	9,778	0
Other Liabilities	0	213	350	0
Tax Losses	3,873	0	0	0
Offsetting	(11,982)	(810)	(11,982)	(810)
Total	0	0	0	3,507

	Changes in Deferred Taxes in 2019	
in 000's €, as of December 31	Recognized in Profit or Loss Income / (Expense)	Recognized in Other Comprehensive Income
Leases	(447)	0
Intangible Assets	11,103	0
Receivables and Other Assets	(373)	0
Other Provisions	(10,056)	0
Other Liabilities	(563)	0
Tax Losses	3,843	0
Total	3,507	0

As of December 31, 2019, temporary differences amounted to € 0.6 million (December 31, 2018: € 1.0 million) in connection with investments in subsidiaries ("outside basis differences") for which no deferred tax liabilities were recognized (2018: no deferred tax assets).

4.5 EARNINGS PER SHARE

Earnings per share are calculated by dividing the 2019 consolidated net loss of € -103,014,058 (2018: consolidated net loss of € -56,172,121; 2017: consolidated net loss of € -69,826,469) by the weighted-average number of ordinary shares outstanding during the respective year (2019: 31,611,155; 2018: 31,338,948; 2017: 28,947,566).

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

	2019	2018
Shares Issued on January 1	31,839,572	29,420,785
Effect of Treasury Shares Held on January 1	(281,036)	(319,678)
Effect of Share Issuance	0	2,208,146
Effect of Transfer of Treasury Stock / Shares Issued in January	247	278
Effect of Transfer of Treasury Stock / Shares Issued in February	230	0
Effect of Transfer of Treasury Stock / Shares Issued in March	208	0
Effect of Transfer of Treasury Stock / Shares Issued in April	10,500	1,863
Effect of Transfer of Treasury Stock / Shares Issued in May	5,789	4,128
Effect of Transfer of Treasury Stock / Shares Issued in June	296	756
Effect of Transfer of Treasury Stock / Shares Issued in July	588	1,874
Effect of Transfer of Treasury Stock / Shares Issued in August	1,533	17,754
Effect of Transfer of Treasury Stock / Shares Issued in September	25,122	2,818
Effect of Transfer of Treasury Stock / Shares Issued in October	331	76
Effect of Transfer of Treasury Stock / Shares Issued in November	7,702	85
Effect of Transfer of Treasury Stock / Shares Issued in December	73	63
Weighted-average Number of Shares of Common Stock	31,611,155	31,338,948

In 2019, 2018 and 2017, diluted earnings per share equaled basic earnings per share. The effect of 115,684 potentially dilutive shares in 2019 (2018: 52,930 dilutive shares; 2017: 87,904 dilutive shares) resulting from stock options granted to the Management Board, the Senior Management Group and employees of the company who are not members of the Senior Management Group, has been excluded from the diluted earnings per share because it would result in a decrease in the loss per share and is therefore not to be treated as dilutive.

5 Notes to the Assets of the Balance Sheet

5.1 CASH AND CASH EQUIVALENTS

in 000' €	12/31/2019	12/31/2018
Bank Balances and Cash in Hand	44,314	45,476
Impairment	0	(16)
Cash and Cash Equivalents	44,314	45,460

The presentation of the development of the expected twelve-month loss for cash and cash equivalents to be recognized under IFRS 9 can be found in Note 2.3.1.

5.2 FINANCIAL ASSETS AT FAIR VALUE, WITH CHANGES RECOGNIZED IN PROFIT OR LOSS AND OTHER FINANCIAL ASSETS AT AMORTIZED COSTS

			Gross Unrealized		
in 000' €	Maturity	Cost	Gains	Losses	Market Value
December 31, 2019					
Money Market Funds	daily	20,330	125	0	20,455
Total					20,455
December 31, 2018					
Money Market Funds	daily	44,718	0	(137)	44,581
Total					44,581

Since January 1, 2018, realized and unrealized gains and losses on money market funds held or sold were recognized in the finance result in profit or loss in accordance with IFRS 9. The sale of financial assets resulted in a net gain of € 0.4 million in 2019 (2018: net losses of less than € 0.1 million). In 2017, in accordance with IAS 39, the Group recognized a net gain of less than € 0.1 million in profit or loss resulting from the sale of financial assets previously recognized in equity.

in 000' €	Maturity	Cost	Unrealized Interest Gain	Impairment	Carrying amount
December 31, 2019					
Term Deposits, Current Portion	4 - 12 Months	207,846	90	(201)	207,735
Corporate Bonds	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
December 31, 2018					
Term Deposits, Current Portion	4 - 12 Months	219,720	2	(744)	218,978
Commercial Papers	4 - 12 Months	50,000	0	(55)	49,945
Term Deposits, Net of Current Portion	More than 12 Months	96,090	12	(353)	95,749
Total					364,672

As of December 31, 2019, these assets mainly consisted of term deposits with fixed or variable interest rates, as well as corporate bonds with fixed interest.

Interest income from financial assets "at amortized cost" amounted to € 0.1 million in 2019 (2018: € 0.1 million in interest income from financial assets "at amortized cost"; 2017: € 0.2 million in interest income from "loans and receivables") and were 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 that is to be recognized under IFRS 9 and the lifetime expected credit loss for term deposits and corporate bonds can be found in Note 2.3.1.

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

5.3 ACCOUNTS RECEIVABLE

All accounts receivable are non-interest bearing, and generally have payment terms of between 30 and 45 days. As of December 31, 2019 and December 31, 2018, accounts receivable included unbilled receivables amounting to € 13.4 million and € 14.1 million, respectively. Unbilled receivables decreased mainly due to 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 to be recognized in accordance with IFRS 9 in the 2019 and 2018 financial years for accounts receivable using the simplified impairment model can be found in Note 2.3.1.

5.4 OTHER RECEIVABLES

Other receivables as of December 31, 2019, mainly consisted of receivables from unrealized gross gains on forward rate agreements in the amount of € 0.4 million (December 31, 2018: € 0.1 million unrealized gross gain). The forward rate agreements were classified as financial assets at fair value through profit or loss in accordance with IFRS 9.

As of December 31, 2019 and December 31, 2018, there were no impairments recognized on other receivables.

5.5 INCOME TAX RECEIVABLES, INVENTORIES, PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of December 31, 2019 income tax receivables amounted to € 0.1 million (December 31, 2018: € 0.2 million) and consisted of receivables from capital gain taxes withheld and income taxes for prior years.

Inventories amounting to € 0.3 million as of December 31, 2019 (December 31, 2018: € 0.2 million) were stored at the Planegg location and consisted of raw materials and supplies. In addition to raw materials and supplies, inventory as of December 31, 2019, also comprised manufacturing costs for the fermentation runs of antibody material (tafasitamab) that is required for the approval process in the United States. If successfully approved, the material may be used later for commercialization. Commercialization is regarded as a sale in the ordinary course of business in accordance with IAS 2, hence the material is accounted for as inventory. According to the Group's accounting policies, these quantities qualify as inventory. For the time being, this inventory is valued at a net realizable value of zero because tafasitamab has not yet received market approval. The resulting expenses in the amount of € 8.7 million was accounted for in cost of sales.

As of December 31, 2019, prepaid expenses and other current assets mainly consisted of combination compounds in the amount of € 4.8 million (December 31, 2018: € 5.4 million), receivables due from tax authorities from input tax surplus of € 3.5 million (December 31, 2018: € 2.7 million), upfront fees for external laboratory services of € 0.7 million (December 31, 2018: € 1.9 million), upfront fees for sublicenses of € 0.5 million (December 31, 2018: € 0.4 million) and other prepayments amounting to € 4.6 million (December 31, 2018: € 1.3 million). An impairment of € 0.7 million was recognized on combination compounds in 2019 (December 31, 2018: € 4.8 million).

5.6 PROPERTY, PLANT AND EQUIPMENT

in 000' €	Office and Laboratory Equipment	Furniture and Fixtures	Total
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
Cost			
January 1, 2018	17,335	2,501	19,836
Additions	1,780	41	1,821
Disposals	(1,457)	(1,603)	(3,060)
December 31, 2018	17,658	939	18,597
Accumulated Depreciation and Impairment			
January 1, 2018	14,490	1,820	16,310
Depreciation Charge for the Year	1,723	89	1,812
Disposals	(1,455)	(1,601)	(3,056)
December 31, 2018	14,758	308	15,066
Carrying Amount			
January 1, 2018	2,845	681	3,526
December 31, 2018	2,900	631	3,531

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

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

in 000' €	2019	2018	2017
Research and Development	1,478	1,398	1,672
Research and Development (Impairment)	10	0	0
Selling	92	87	0
General and Administrative	396	327	297
Total	1,976	1,812	1,969

5.7 LEASES

The development of the right-of-use assets and lease liabilities in the 2019 financial year is shown below.

	Right-of-Use Assets				
in 000' €	Building	Cars	Technical Equipment	Total	Lease Liabilities
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)
Balance as of December 31, 2019	42,586	238	336	43,160	42,557

In the 2019 financial year, IFRS 16 had the following effects on the statement of profit or loss:

in 000' €	2019
Depreciation of Right-of-Use Assets	(2,805)
Interest Expenses on Lease Liabilities	(932)
Expenses for Short Term Leases	0
Expenses for Leases of Low Value Assets	(41)
Total	(3,778)

The maturity analysis of the lease liabilities as of December 31, 2019 is as follows.

December 31, 2019; in 000' € 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	3,515	13,460	33,883	50,858	42,557

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 has entered into a lease for a building in Boston and moved into the office on September 19, 2019, the commencement date according to IFRS 16. The minimum lease term of seven years results in a contractually agreed cash outflow of US$ 5.0 million (€ 4.4 million). The contract contains an extension option for five years and a lease incentive of US$ 0.7 million (€ 0.7 million).

The Group has 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).

5.8 INTANGIBLE ASSETS

in 000' €	Patents	Licenses	In-process R&D Programs	Software	Goodwill	Total
Cost						
January 1, 2019	17,585	23,896	52,159	5,644	11,041	110,325
Additions	449	0	0	114	0	563
December 31, 2019	18,034	23,896	52,159	5,758	11,041	110,888
Accumulated Amortization and Impairment						
January 1, 2019	13,646	21,369	15,140	5,440	7,365	62,960
Amortization Charge for the Year	1,209	72	0	211	0	1,492
Impairment	198	105	1,335	0	0	1,639
December 31, 2019	15,053	21,546	16,475	5,651	7,365	66,091
Carrying Amount						
January 1, 2019	3,939	2,527	37,019	204	3,676	47,365
December 31, 2019	2,981	2,350	35,684	107	3,676	44,798
Cost						
January 1, 2018	16,995	23,896	52,159	5,853	11,041	109,944
Additions	590	0	0	55	0	645
Disposals	0	0	0	(264)	0	(264)
December 31, 2018	17,585	23,896	52,159	5,644	11,041	110,325
Accumulated Amortization and Impairment						
January 1, 2018	12,326	20,897	0	5,198	3,676	42,097
Amortization Charge for the Year	1,320	112	0	506	0	1,938
Impairment	0	360	15,140	0	3,689	19,189
Disposals	0	0	0	(264)	0	(264)
December 31, 2018	13,646	21,369	15,140	5,440	7,365	62,960
Carrying Amount						
January 1, 2018	4,669	2,999	52,159	655	7,365	67,847
December 31, 2018	3,939	2,527	37,019	204	3,676	47,365

In the 2019 financial year, € 0.3 million of impairment losses were recognized on patents and licenses. In the 2018 financial year, € 0.4 million of impairment losses were recognized on licenses. In the 2017 financial year, € 0.1 million of impairment losses were recognized on patents and licenses.

As of December 31, 2019, in-process research and development programs were subject to an impairment test as required by IAS 36. This test indicated a need for impairment. Further details on the impairment of in-process research and development programs can be found in Note 5.8.3.

The carrying amount of intangible assets pledged as security was € 11.7 million and relates to a government grant in the amount of € 1.5 million.

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

in 000' €	2019	2018	2017
Research and Development	1,444	1,822	1,958
Research and Development (Impairment)	1,639	19,189	9,864
Selling	11	25	0
General and Administrative	37	91	103
Total	3,131	21,127	11,925

5.8.1 PATENTS

In the 2019 financial year, the carrying amount of patents declined by € 0.9 million from € 3.9 million to € 3.0 million. This decline resulted from additions amounting to € 0.4 million for patent applications, particularly for proprietary programs and technologies, which were offset by straight-line amortization of € 1.2 million and impairments of € 0.2 million.

5.8.2 LICENSES

In the 2019 financial year, the carrying amount of licenses declined by € 0.2 million from € 2.5 million to € 2.3 million as a result of scheduled amortization and impairment.

5.8.3 IN- PROCESS R&D PROGRAMS

The carrying amount of in-process R&D programs decreased by € 1.3 million to € 35.7 million in 2019. This decline was due to an impairment in the amount of € 1.3 million (see information on the Lanthio Group).

As of December 31, 2019, this balance sheet item included capitalized payments from the in-licensing of a compound for the Proprietary Development segment, as well as milestone payments made for this compound at a later date. A compound obtained through an acquisition was also included.

TAFASITAMAB

As an intangible asset with indefinite useful life (no foreseeable limit to the period over which this compound is expected to generate cash flows) and a carrying amount of € 23.9 million, tafasitamab was subject to an annual impairment test on September 30, 2019, as required by IAS 36. The recoverable amount of the tafasitamab cash-generating unit was determined on the basis of value-in-use calculations, which concluded that the recoverable amount of the cash-generating unit exceeded its carrying amount. The cash flow forecasts took into account expected cash inflows from the potential commercialization of tafasitamab, the cash outflows for anticipated research and development, and the costs for tafasitamab's commercialization. The cash flow forecasts are based on the period of patent protection for tafasitamab. For this reason, a planning horizon of approximately 20 years is considered appropriate for the value-in-use calculation. The values of the underlying assumptions were determined using both internal (past experience) and external sources of information (market information). Based on the updated cash flow forecast, the value-in-use was determined as follows: A beta factor of 1.2 (2018: 1.2) and WACC before taxes of 10.1% (2018: 10.0%). A detailed sensitivity analysis was performed for the discount rate. A sensitivity analysis for changes in the cash flows was not performed since the cash flows from research and development and the commercialization of the compound have already been probability-adjusted in the value-in-use calculations so as to reflect the probabilities of success in phases of clinical trials. The analysis did not reveal any need for impairment. The values ascribed to the assumptions correspond to the Management Board's forecasts for future development and are based on internal planning scenarios, as well as external sources of information. No indicators of impairment were identified on December 31, 2019.

LANTHIO GROUP

On September 30, 2019, an intangible asset not yet available for use (MOR107) from the Lanthio Group acquisition was subject to an annual impairment test. The cash flow forecasts included planned cash inflows from the potential sale of compounds based on lanthipeptides expected to achieve market approval. These cash inflows were offset by expected operating expenses for compound development and clinical trials as well as sales and administrative expenses. The duration and likelihood of individual stages of the study were also taken into consideration. Cash flow forecasts are based on a period of 30 years as the Management Board believes that after the successful approval of compounds, the drugs that follow can generate free cash flows within that period of time. The recoverable amount resulting from the adjusted cash flow forecast of the cash-generating unit Lanthio Group, which is part of the Proprietary Development segment, was determined on the basis of value-in-use calculations. The value-in-use amounted to € 12.1 million, which was below the carrying amount of the cash-generating unit, resulting in an impairment of € 1.3 million for in-process R&D programs. After impairment, the carrying amount of in-process R&D programs amounted to € 11.7 million. The values of the underlying assumptions were determined using both internal (past experience) and external sources of information (market information). On the basis of the updated cash flow forecast, the value-in-use was determined as follows: A beta factor of 1.2 (2018: 1.2) and WACC before taxes of 11.3% (2018: 11.5%). A detailed sensitivity analysis was performed with regard to the discount rate. A sensitivity analysis for changes in the cash flows has not been performed since the cash flows had 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 the need for any additional impairment. The values ascribed to the assumptions correspond to the Management Board's forecasts for future development and are based on internal planning scenarios as well as external sources of information.

No indicators for additional impairments were identified as of December 31, 2019.

5.8.4 SOFTWARE

In the 2019 financial year, additions to this balance sheet item totaled € 0.1 million. The carrying amount decreased by € 0.1 million from € 0.2 million in 2018 to € 0.1 million in 2019. Additions were offset by amortization of € 0.2 million.

5.8.5 GOODWILL

The annual goodwill impairment test was performed on September 30, 2019.

SLONOMICS TECHNOLOGY

As of September 30, 2019, goodwill of € 3.7 million from the 2010 acquisition of Sloning BioTechnology GmbH was subject to an impairment test as required by IAS 36. 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 higher than the carrying amount of the cash-generating unit. The cash flow forecasts took into account future free cash flows from the contribution of the Slonomics technology to partnered programs. The cash flow forecasts are based on a period of 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 cash flow forecasts are largely based on the assumption that the Slonomics technology is very beneficial for customers. 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 1.2 (2018: 1.2), WACC before taxes of 9.4% (2018: 9.6%) and a perpetual growth rate of 1% (2018: 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 sensitivity analysis for changes in the cash flows has not been performed since the cash flows have already been probability-adjusted in the value-in-use calculations so as to reflect the probabilities of success in phases of clinical trials. This analysis did not reveal any need for impairment. The values ascribed to the assumptions correspond to the Management Board's forecasts for future development and are based on internal planning scenarios as well as external sources of information.

No indicators for impairment were identified as of December 31, 2019.

5.9 INVESTMENTS AT FAIR VALUE, WITH CHANGES RECOGNIZED IN OTHER COMPREHENSIVE INCOME

This item concerns investments in adivo GmbH, Martinsried, Germany, and Vivoryon Therapeutics AG, Halle (Saale), Germany.

In July 2018, MorphoSys AG acquired a 19.9% stake in adivo GmbH in the context of start-up financing. MorphoSys made a cash contribution of € 9,458 and a contribution in kind of € 350,000. The contribution in kind comprised the adivo brand and a license for a fully synthetic canine-based antibody library. The fair value as of December 31, 2019 was € 0.4 million (December 31, 2018: € 0.2 million).

In July 2019, MorphoSys and Vivoryon Therapeutics AG announced an agreement under which MorphoSys received an exclusive license option for Vivoryon's small molecule QPCTL inhibitors in the field of oncology. In return, MorphoSys took a minority stake in Vivoryon as part of a capital increase planned for the end of 2019. This capital increase was executed on October 24, 2019 through the issue of a total of 7,674,106 ordinary bearer shares. The increase was recorded in the commercial register on October 25, 2019. MorphoSys acquired a 13.4% stake in Vivoryon through the subscription of 2,673,796 ordinary bearer shares valued at € 15.0 million. As of December 31, 2019, the fair value of the investment was valued at € 13.7 million.

	Currency	Stake in %	Equity in Domestic Currency	Profit / Loss for the Year in Domestic Currency
adivo GmbH, Martinsried, Germany	€	19.9	120,581	(276,947)
Vivoryon Therapeutics AG, Haale (Saale), Germany	€	13.4	1,542,624	(7,703,473)

In the financial years 2019 and 2018, neither dividends from the investments were recognized in profit or loss nor were reclassifications of gains or losses within equity made.

Vivoryon Therapeutics AG is listed on an active market, so the fair value of this investment is determined by means of the stock market price on a reporting date. No observable market data is available for the determination of the fair value of the investment in adivo GmbH. The change in the investment in adivo GmbH is shown below.

in 000' €	2019	2018
Opening Balance	232	0
Additions	0	359
Disposals	0	0
Through Other Comprehensive Income	155	(127)
Through Profit or Loss	0	0
Closing Balance	387	232

The significant unobservable input parameters used in the measurement of the investment in adivo GmbH were corporate planning assumptions, the probability-weighted estimate of cash flows and the discount rate. From the information currently available, a material change in corporate planning is not considered likely and therefore the

cash flow forecasts used are considered suitable for determining the fair value. A change in the pre-tax WACC of +/–1.0% would cause a € 0.1 million lower or € 0.1 million higher amount of equity. A sensitivity analysis for changes in cash flows was not performed because the cash flows have already been probability-adjusted in the fair value calculation to reflect the probabilities of success in the various stages of development. There are no significant relationships between the significant unobservable input parameters.

5.10 PREPAID EXPENSES AND OTHER ASSETS, NET OF CURRENT PORTION

This balance sheet item included the non-current portion of prepaid expenses and other assets. The decline in prepaid expenses mainly resulted from the offset as of January 1, 2019, of prepaid rent for the premises in Semmelweisstrasse 7 in Planegg against the right-of-use asset due to the application of IFRS 16. Further information can be found in Notes 2.1.2.

The Group classified certain line items in other assets as “restricted cash” that are not available for use in the Group’s operations (see Notes 2.8.1 and 5.1). As of December 31, 2019, the Group held non-current restricted cash in the amount of € 0.8 million for issued rent deposits (December 31, 2018: € 0.7 million) and of less than € 0.1 million for convertible bonds granted to employees (December 31, 2018: € 0.1 million). As of December 31, 2019, € 0.2 million were deposited as collateral by MorphoSys US Inc.

This line item consists of the following:

in 000’ €	12/31/2019	12/31/2018
Prepaid Expenses, Net of Current Portion	134	2,199
Other Current Assets	1,002	783
Total	1,136	2,982

6 Notes to Equity and Liabilities of the Balance Sheet

6.1 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 are listed in the table below.

in 000’ €	12/31/2019	12/31/2018
Trade Accounts Payable	10,655	7,215
Licenses Payable	357	184
Accruals	44,971	36,530
Other Liabilities	1,059	832
Total	57,042	44,761

Accruals mainly included provisions for external laboratory services in the amount of € 24.4 million (December 31, 2018: € 26.2 million), accrued personnel expenses from payments to employees and management in the amount of € 14.0 million (December 31, 2018: € 5.1 million), provisions for outstanding invoices in the amount of € 5.6 million (December 31, 2018: € 2.8 million), legal fees of € 0.3 million (December 31, 2018: € 1.5 million), audit fees and other related costs of € 0.7 million (December 31, 2018: € 0.5 million) and license payments of € 0.1 million (December 31, 2018: € 0.1 million).

At the Company’s Annual General Meeting in May 2019, the PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC GmbH), Munich, was appointed as the auditor. The Supervisory Board engaged PwC GmbH to audit the financial statements.

In the 2019 financial year, PwC GmbH received total fees from MorphoSys of € 1,191,435, including fees for audit services of € 872,785 and fees for other assurance services in connection with a comfort letter of € 318,650. PwC GmbH did not provide tax advisory services and other services in 2019.

6.2 TAX PROVISIONS AND OTHER PROVISIONS

As of December 31, 2019, the Group recorded tax provisions and other provisions of € 0.4 million (2018: € 0.4 million).

Tax provisions mainly consisted of income tax expenses and other provisions included primarily expenses for personnel recruitment.

As of December 31, 2019, tax provisions and other provisions were uncertain in their amount and were expected to be utilized in 2020.

The table below shows the development of tax provisions and current and non-current other provisions in the 2019 financial year.

in 000' €	01/01/2019	Additions	Utilized	Released	12/31/2019
Tax Provisions	208	0	113	0	95
Other Provisions	184	1,074	714	198	346
Total	392	1,074	827	198	441

6.3 CONTRACT LIABILITIES

Contract liabilities related to transaction prices paid by customers that were allocated to unfulfilled performance obligations as of December 31, 2019. It is expected that current contract liabilities will be realized in the 2020 financial year and non-current contract liabilities mainly in the 2021 financial year. The changes in this item are set out below.

in 000' €	2019	2018
Opening Balance before Application of IFRS 15	-	1,695
Application of IFRS 15	-	(1,135)
Opening Balance after Application of IFRS 15	952	560
Prepayments Received in the Fiscal Year	6,070	2,386
Revenues Recognized in the Reporting Period that was included in the Contract Liability at the Beginning of the Period	(794)	(306)
Revenues Recognized for Received Prepayments and Services Performed in the Fiscal Year	(4,542)	(1,688)
Closing Balance	1,686	952
thereof short-term	1,571	794
thereof long-term	115	158

6.4 OTHER LIABILITIES

As of December 31, 2018, other liabilities exclusively consisted of the accrued amount related to the rent-free period for the building located at Semmelweisstrasse 7, Planegg, as agreed in the lease contract. This item was released over the contractually agreed minimum rent period.

As of December 31, 2018, the current portion amounting to € 0.1 million of this liability was included in the item accounts payable and accruals.

As of January 1, 2019, both positions were offset against the right-of-use asset due to the application of IFRS 16. Further information can be found in Notes 2.1.2.

6.5 STOCKHOLDERS' EQUITY

6.5.1 COMMON STOCK

As of December 31, 2019, the Company's common stock, including treasury shares, amounted to € 31,957,958, representing an increase of € 118,386 compared to the level of € 31,839,572 as of December 31, 2018. Each share of common stock grants one vote. Common stock increased by € 118,386 or 118,386 shares as a result of the exercise of 118,386 convertible bonds granted to the Management Board and former employees. The weighted-average exercise price of the exercised convertible bonds was € 31.88.

6.5.2 AUTHORIZED CAPITAL

Compared to December 31, 2018, the number of authorized ordinary shares increased from 14,684,291 to 14,843,488. At the Annual General Meeting on May 22, 2019, new Authorized Capital 2019-I in the amount of € 159,197 was created. Under the Authorized Capital 2019-I, the Management Board was authorized, with the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions by a total of up to €159,197 by issuing up to 159,197 new no-par-value bearer shares until and including the date of April 30, 2024.

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.

6.5.3 CONDITIONAL CAPITAL

The number of ordinary shares of conditional capital compared to December 31, 2018 decreased from 6,459,146 to 6,340,760 shares due to the exercise of 118,386 conversion rights in 2019. The reduction in ordinary shares of conditional capital through the exercise of 118,386 conversion rights was recorded in the commercial register in January 2020.

The shareholders may resolve to amend or create conditional capital (Bedingtes Kapital). However, 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 a consent or authorization 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.

6.5.4 TREASURY STOCK

In the years 2019 and 2018, the Group did not repurchase any of its own shares. The composition and development of this line item are listed in the following table.

	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

As of December 31, 2019, the Company held 225,800 shares of treasury stock valued at € 8,357,250, representing a decline of € 2,041,523 compared to December 31, 2018 (281,036 shares; € 10,398,773). The reason for this decline was the transfer of 52,328 shares of treasury stock to the Management Board and Senior Management Group from the 2015 Long-Term Incentive Plan (LTI Plan) in the amount of € 1,934,043. The vesting period for this LTI program expired on April 1, 2019, and the beneficiaries had or have the option within eight months to receive a total of 52,328 shares.

In addition, 2,908 shares of treasury stock valued at €107,480 were transferred to related parties. As a result, the number of MorphoSys shares owned by the Company as of December 31, 2019, was 225,800 (December 31, 2018: 281,036). 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.

6.5.5 ADDITIONAL PAID-IN CAPITAL

On December 31, 2019, additional paid-in capital amounted to € 628,176,568 (December 31, 2018: € 619,908,453). The total increase of € 8,268,115 resulted mainly from the allocation of personnel expenses resulting from share-based payments in the amount of € 6,654,470, as well as the exercise of convertible bonds in the amount of € 3,655,168. There was an offsetting effect from the reclassification of shares of treasury stock related to the allocation of shares under the 2015 performance-based share plan in the amount of € 1,934,043 and the allocation of shares of treasury stock to related parties in the amount of € 107,480.

6.5.6 REVALUATION RESERVE

Since January 1, 2018, this equity line item is no longer reported due to the adoption of the new standard for financial instruments IFRS 9.

6.5.7 OTHER COMPREHENSIVE INCOME RESERVE

Reporting the line item “other comprehensive income reserve” began as of January 1, 2018. As of December 31, 2019, this reserve contains changes in the fair value of equity instruments recognized directly in equity in the amount of € -1,160,160 (December 31, 2018: € -127.458) as well as currency gains from consolidation in the amount of € 75,332 (December 31, 2018: currency losses of € -83,432). The currency gains and losses from consolidation include exchange rate differences from the revaluation of the financial statements of Group companies in foreign currencies and the differences between the exchange rates used in the balance sheet and profit or loss.

6.5.8 ACCUMULATED DEFICIT

The consolidated net loss for the year of € 103,014,058 is reported under “accumulated deficit”. As a result, the accumulated deficit increased from € 152,765,728 in the year 2018 to € 255,779,786 in 2019.

7 Remuneration System for the Management Board and Employees of the Group

7.1 STOCK OPTION PLANS

7.1.1 2017 STOCK OPTION PLAN

On April 1, 2017, MorphoSys established a stock option plan (SOP) for the Management Board, the Senior Management Group and selected employees of the Company who are not members of the Senior Management Group (beneficiaries). In accordance with IFRS 2, 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.

If a member of the Management Board loses his or her position at MorphoSys Group through termination (or the Management Board member terminates the service contract), resignation, death, injury, disability or the attainment of retirement age (receipt of a standard retirement pension, early-retirement pension or disability pension, as long as the requirements for the disability pension entitlement are met) or under other circumstances subject to the Supervisory Board’s discretion, the Management Board member (or the member’s heirs) is entitled to a precise daily pro rata amount of subscription rights.

If a member of the Management Board loses his or her position at MorphoSys Group for good reason as defined by Section 626 (2) of the German Civil Code (BGB), all unexercised stock options will be forfeited without any entitlement to compensation.

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

As of April 1, 2017, a total of 81,157 stock options had been granted to the beneficiaries, of which 40,319 had been granted to the Management Board (further details can be found in the "Stock Options" table in Note 7.5 "Related Parties"), 37,660 to the Senior Management Group and 3,178 to selected Company employees who do not belong to the Senior Management Group. The original number of stock options granted was based on 100% target achievement. Based on the achievement of performance criteria to date, the target achievement is expected to be 130.9%. For performance criteria that have not yet been met, 100% target achievement is assumed. Under this assumption, the total number of subscription rights to be exercised, i.e., the total number of shares to be issued at the end of the four-year vesting period/performance period would currently increase to 95,222 shares. The fair value of the stock options on the grant date (April 1, 2017) was € 21.41 per stock option. In the period from the grant date to December 31, 2019, seven beneficiaries left MorphoSys, resulting in the forfeiture of 8,398 stock options. For the calculation of personnel expenses resulting from share-based payment under the 2017 Stock Option Plan, the assumption is that two beneficiaries would leave the Company during the four-year period. This assumption was updated since 2018.

In 2019, personnel expenses from stock options under the Group's 2017 SOP amounted to € 252,393 (2018: € 436,154).

7.1.2 2018 STOCK OPTION PLAN

On April 1, 2018, MorphoSys established a stock option plan (SOP) for the Management Board, the Senior Management Group and selected Company employees who are not members of the Senior Management Group (beneficiaries). In accordance with IFRS 2, 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, 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.

If a member of the Management Board loses his or her position at MorphoSys Group prior to the end of the four-year vesting period/performance period, the Management Board member (or the member's heirs) is entitled to a precise daily pro rata amount of subscription rights.

If a member of the Management Board loses his or her position at MorphoSys Group for good reason as defined by Section 626 (2) of the German Civil Code (BGB), all unexercised stock options will be forfeited without any entitlement to compensation.

If a cumulative absence of more than 90 days occurs during the four-year vesting period/performance period, the beneficiary is entitled to a precise daily pro rata amount of subscription rights. Absence is defined as either a continued period of lost work time due to illness or inactivity of a beneficiary or employment relationship without continued pay.

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, 2018, a total of 67,778 stock options had been granted to beneficiaries, of which 29,312 had been granted to the Management Board (further details can be found in the "Stock Options" table in Note 7.5 "Related Parties"), 34,276 to the Senior Management Group and 4,190 to selected Company employees who do not belong to the Senior Management Group. The stated number of stock options granted is based on 100% target achievement. Based on the achievement of performance criteria to date, the target achievement is expected to be 105.9%. For performance criteria that have not yet been met, 100% target achievement is assumed. Under this assumption, the total number of subscription rights to be exercised, i.e., the total number of shares to be issued at the end of the four-year holding period/performance period would currently increase to 68,341 shares. The fair value of the stock options on the grant date (April 1, 2018) was € 30.43 per stock option. In the period from the grant date to December 31, 2019, four beneficiaries left MorphoSys, resulting in the forfeiture of 2,443 stock options. For the calculation of personnel expenses resulting from share-based payment under the 2018 Stock Option Plan, the assumption is that four beneficiaries would leave the Company during the four-year period.

In 2019, personnel expenses from stock options under the Group's 2018 SOP amounted to € 704,954 (2018: € 925,635).

7.1.3 2019 STOCK OPTION PLAN

On April 1, 2019, MorphoSys established a stock option plan (SOP) for the Management Board, the Senior Management Group and selected employees of the Company who are not members of the Senior Management Group (beneficiaries). In accordance with IFRS 2, 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.

If a member of the Management Board loses his or her position at MorphoSys Group prior to the end of the four-year vesting period/performance period, the Management Board member (or the member's heirs) is entitled to a precise daily pro rata amount of subscription rights.

If a member of the Management Board loses his or her position at MorphoSys Group for good reason as defined by Section 626 (2) of the German Civil Code (BGB), all unexercised stock options will be forfeited without any entitlement to compensation.

If a cumulative absence of more than 90 days occurs during the four-year vesting period/performance period, the beneficiary is entitled to a precise daily pro rata amount of subscription rights. Absence is defined as either a continued period of lost work time due to illness or inactivity of a beneficiary or employment relationship without continued pay.

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, 2019, a total of 76,482 stock options had been granted to beneficiaries, of which 31,395 had been granted to the Management Board (further details can be found in the "Stock Options" table in Note 7.5 "Related Parties"), 38,005 to the Senior Management Group and 7,082 to selected Company employees who do not belong to the Senior Management Group. The stated number of stock options granted is based on 100% target achievement. The fair value of the stock options on the grant date was € 31.81 per stock option. In the period from the grant date to December 31, 2019, one beneficiary had left MorphoSys, resulting in the forfeiture of 267 stock options. For the calculation of personnel expenses resulting from share-based payment under the 2019 Stock Option Plan, the assumption is that four beneficiaries would leave the Company during the four-year period.

On October 1, 2019, MorphoSys established a further stock option plan (SOP) for one member of the Management Board. The terms and conditions were identical to those of the program established on April 1, 2019. A total of 57,078 stock options were granted. The exercise price is € 106.16. The fair value of the stock options on the grant date was € 35.04 per stock option.

In 2019, personnel expenses from stock options under the Group's 2019 SOP amounted to € 1,718,087.

The fair value of the stock options from the 2017, 2018 and 2019 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 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
Share Price on Grant Date in €	55.07	81.05	85.00	98.10
Exercise Price in €	55.52	81.04	87.86	106.16
Expected Volatility of the MorphoSys share in %	37.49	35.95	37.76	38.02
Expected Volatility of the Nasdaq Biotech Index in %	25.07	25.10	18.61	18.17
Expected Volatility of the TecDAX Index in %	16.94	17.73	26.46	24.82
Performance Term of Program in Years	4.0	4.0	4.0	4.0
Dividend Yield in %	n/a	n/a	n/a	n/a
Risk-free Interest Rate in %	between 0.03 and 0.23	between 0.02 and 0.15	between 0.02 and 0.13	between 0.0 and 0.02

7.2 2013 CONVERTIBLE BOND PROGRAM

On April 1, 2013, MorphoSys AG granted the Management Board and members of the Senior Management 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 have 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 currently stands at € 1.

Exercise of the convertible bonds is 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 for Group employees in the 2019, 2018 and 2017 financial years.

	Convertible Bonds	Weighted-average Price (€)
Outstanding on January 1, 2017	436,585	31.88
Granted	0	0.00
Exercised	0	0.00
Forfeited	(261,015)	31.88
Expired	0	0.00
Outstanding on December 31, 2017	175,570	31.88
Outstanding on January 1, 2018	175,570	31.88
Granted	0	0.00
Exercised	(32,537)	31.88
Forfeited	0	0.00
Expired	0	0.00
Outstanding on December 31, 2018	143,033	31.88
Outstanding on January 1, 2019	143,033	31.88
Granted	0	0.00
Exercised	(118,386)	31.88
Forfeited	0	0.00
Expired	0	0.00
Outstanding on December 31, 2019	24,647	31.88

From the grant date until December 31, 2019, one beneficiary left MorphoSys and, therefore, 13,414 convertible bonds were forfeited. As of December 31, 2019, the number of vested convertible bonds totaled 24,647 shares (December 31, 2018: 143,033 shares; December 31, 2017: 175.570 shares).

The following overview includes the weighted-average exercise price as well as information on the contract duration of significant groups of convertible bonds as of December 31, 2019.

Range of Exercise Prices	Number Outstanding	Remaining Contractual Life (in Years)	Weighted-average Exercise Price (€)	Number Exercisable	Weighted-average Exercise Price (€)
€ 25.00 - € 40.00	24,647	0.25	31.88	24,647	31.88
	24,647	0.25	31.88	24,647	31.88

The Group recognized personnel expenses resulting from convertible bonds on a straight-line basis in accordance with IFRS 2 and IAS 32.28. The equity component of the convertible bonds is presented separately under additional paid-in capital. The corresponding amount was recognized as personnel expenses from convertible bonds. Compensation expenses related to convertible bonds amounted to € 0 in 2019, € 0 in 2018 and € 287,601 in 2017.

7.3 LONG-TERM INCENTIVE PROGRAMS

7.3.1 2014 LONG -TERM INCENTIVE PLAN

On April 1, 2014, MorphoSys established a Long-Term Incentive Plan (LTI Plan) for the Management Board and the Senior Management Group (beneficiaries). The vesting period of this plan expired on April 1, 2018. In accordance with IFRS 2, 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 is paid out in ordinary shares (performance shares) of MorphoSys AG if predefined key performance criteria are achieved. The key performance criteria are based on the absolute MorphoSys share price performance and the relative MorphoSys share price performance compared to the Nasdaq Biotechnology Index and the TecDAX Index. These criteria are approved annually by the Supervisory Board. The fulfillment of these criteria was set at 200% for one year, 54% for one year and 0% for two years. The Supervisory Board set the “company factor” at 1.0, meaning the number of performance shares to be allocated was scaled by a factor of 1.0. Based on these terms and the company factor, a total of 17,219 performance shares of MorphoSys AG was transferred to beneficiaries until October 10, 2018 after the expiration of the four-year vesting period. The Management Board received 6,969 performance shares (for further information, see the tables entitled “Shares” and “Performance Shares” in Note 7.5 “Related Parties”), the Senior Management Group received 8,216 performance shares and former members of the Management Board and Senior Management Group, who have since left the Company, received 2,034 performance shares.

In 2019, personnel expenses resulting from performance shares under the Group’s 2014 LTI Plan amounted to € 0 (2018: € 6,388; 2017: € 55,759).

7.3.2 2015 LONG-TERM INCENTIVE PLAN

On April 1, 2015, MorphoSys established a Long-Term Incentive Plan (LTI Plan) for the Management Board and the Senior Management Group (beneficiaries). The vesting period for this LTI Plan expired on April 1, 2019. The program is considered an equity-settled share-based payment in accordance with IFRS 2 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% 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 in 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, which had no impact on the fair value of the performance shares and the period over which compensation expense is recognized. The Management Board received 19,815 performance shares (for further details, see the tables entitled “Shares” and “Performance shares” in Note 7.5 “Related parties”), 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 2019, personnel expenses resulting from performance shares under the Group’s 2015 LTI Plan amounted to € 6,714 (2018: € 109,511; 2017: € 201,608).

7.3.3 2016 LONG -TERM INCENTIVE PLAN

On April 1, 2016, MorphoSys established a Long-Term Incentive Plan (LTI Plan) for the Management Board and the Senior Management Group (beneficiaries). In accordance with IFRS 2, 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. These criteria are evaluated annually by the Supervisory Board. The grant date was April 1, 2016, and the vesting/performance period is four years. If the predefined key 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 number of performance shares vested each year will be reduced or increased to the extent that the performance criteria of the respective year have been achieved between only 50% and 99.9% (<100%) or the achievement of the performance criteria has exceeded 100% (maximum 200%). If in one year the performance criteria are met by less than 50%, no performance shares will become vested in that year. 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 to service 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.

If a member of the Management Board loses his or her position at MorphoSys Group due to termination (or if the Management Board member terminates the service contract), resignation, death, injury, disability, by reaching retirement age (receipt of a standard retirement pension, early-retirement pension or disability pension, as long as the requirements for the disability pension entitlement are met) or under other circumstances subject to the Supervisory Board's discretion, the Management Board member (or the member's heirs) is entitled to a precise daily pro rata amount of performance shares.

If a member of the Management Board loses his or her position at MorphoSys Group for good reason as defined by Section 626 (2) of the German Civil Code (BGB) and/or as defined by Section 84 (3) of the German Stock Corporation Act (AktG), the beneficiary will not be entitled to performance shares.

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.

A total of 68,143 treasury shares were allocated to beneficiaries on April 1, 2016, with 35,681 performance shares allocated to the Management Board (for further details see the tables entitled "Performance Shares" in Note 7.5 "Related parties") and 32,462 performance shares to the Senior Management Group. The original number of performance shares allocated was based on the 100% target achievement of the performance criteria and a company factor of 1. Based on the achievement of performance criteria to date, the overall achievement of the target is expected to be 148.5%. For performance criteria that have not yet been met, 100% target achievement is assumed. Under this assumption, the total number of performance shares to be allocated at the end of the four-year vesting period/performance period would currently increase to 84,290 shares. The fair value of the performance shares on the grant date (April 1, 2016) was € 46.86 per share. No dividends were included in the determination of the fair value of the performance shares because the Group does not intend to distribute any dividends in the foreseeable future. From the grant date until December 31, 2019, nine beneficiaries left

MorphoSys, and therefore 10,998 performance shares were forfeited. For the calculation of the personnel expenses from share-based payment under the 2016 LTI Plan, it was initially assumed that one beneficiary would leave the Company during the four-year period. This assumption was updated in 2018.

In 2019, personnel expenses resulting from performance shares under the Group's 2016 LTI Plan amounted to € 141,473 (2018: € 330,727; 2017: € 663,624).

7.3.4 2017 LONG-TERM INCENTIVE PLAN

On April 1, 2017, MorphoSys established another Long-Term Incentive Plan (LTI Plan) for the Management Board, the Senior Management Group and selected employees of the Company who are not members of the Senior Management Group (beneficiaries). In accordance with IFRS 2, 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 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.

If a member of the Management Board loses his or her position at MorphoSys Group because of termination (or if the Management Board member terminates the service contract), resignation, death, injury, disability, by reaching retirement age (receipt of a standard retirement pension, early-retirement pension or disability pension, as long as the requirements for the disability pension entitlement are met) or under other circumstances subject to the Supervisory Board's discretion, the Management Board member (or the member's heirs) is entitled to performance shares determined on a precise daily pro rata basis.

If a member of the Management Board loses his or her position at MorphoSys Group for good reason as defined by Section 626 (2) of the German Civil Code (BGB) and/or as defined by Section 84 (3) of the German Stock Corporation Act (AktG), the beneficiary will not be entitled to performance shares.

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.

A total of 31,549 treasury shares were allocated to beneficiaries on April 1, 2017, with 15,675 performance shares allocated to the Management Board (for further details see the table entitled "Performance Shares" in Note

7.5 “Related Parties”), 14,640 performance shares allocated to the Senior Management Group and 1,234 performance shares allocated to selected employees of the Company who are not members of the Senior Management Group. The original number of performance shares allocated was based on the 100% target achievement of the performance criteria and a company factor of 1. Based on the achievement of performance criteria to date, the overall achievement of the target is expected to be 155%. For performance criteria that have not yet been met, 100% target achievement is assumed. Under this assumption, the total number of performance shares to be allocated at the end of the four-year vesting period/performance period would currently increase to 48,832 shares. The fair value of the performance shares on the grant date (April 1, 2017) was € 70.52 per share. From the grant date until December 31, 2019, eight beneficiaries left MorphoSys, and therefore 1,711 performance shares were forfeited. For the calculation of the personnel expenses from share-based payment under the 2017 LTI Plan, the assumption is that two beneficiaries would leave the Company during the four-year period. This assumption was updated in 2018.

In 2019, personnel expenses resulting from performance shares under the Group’s 2017 LTI Plan amounted to € 323,165 (2018: € 558,446; 2017: € 1,026,037).

7.3.5 2018 LONG-TERM INCENTIVE PLAN

On April 1, 2018, MorphoSys established another Long-Term Incentive Plan (LTI Plan) for the Management Board, the Senior Management Group and selected employees of the Company who are not members of the Senior Management Group (beneficiaries). In accordance with IFRS 2, 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 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.

If a member of the Management Board loses his or her position at MorphoSys Group before the end of the vesting/performance period, the Management Board member (or the member’s heirs) is entitled to performance shares determined on a precise daily pro rata basis.

If a member of the Management Board loses his or her position at MorphoSys Group for good reason as defined by Section 626 (2) of the German Civil Code (BGB) and/or as defined by Section 84 (3) of the German Stock Corporation Act (AktG), the beneficiary will not be entitled to performance shares.

If a cumulative absence of more than 90 days occurs during the four-year vesting period/performance period, the beneficiary is entitled to a precise daily pro rata amount of performance shares. Absence is defined as either a continued period of lost work time due to illness or inactivity of a beneficiary or employment relationship without continued pay.

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.

As of April 1, 2018, a total of 20,357 treasury shares were allocated to beneficiaries with 8,804 performance shares allocated to the Management Board, 10,291 performance shares allocated to the Senior Management Group and 1,262 to performance shares allocated to selected employees of the Company who are not members of the Senior Management Group.

The original number of performance shares allocated was based on the 100% target achievement of the performance criteria and a company factor of 1. Based on the achievement of performance criteria to date, the overall achievement of the target is expected to be 105%. For performance criteria that have not yet been met, 100% target achievement is assumed. Under this assumption, the total number of performance shares to be allocated at the end of the four-year vesting period/performance period would currently increase to 21,163 shares. The fair value of the performance shares on the grant date (April 1, 2018) was € 103.58 per share. From the grant date until December 31, 2019, four beneficiaries left MorphoSys, resulting in the forfeiture of 703 performance shares. For the calculation of personnel expenses from share-based payment under the 2018 LTI Plan, the assumption is that four beneficiaries would leave the Company during the four-year period.

In 2019, personnel expenses resulting from performance shares under the Group's 2018 LTI Plan amounted to € 720,764 (2018: € 946,346).

7.3.6 2019 LONG-TERM INCENTIVE PLAN

On April 1, 2019, MorphoSys established another Long-Term Incentive Plan (LTI Plan) for the Management Board, the Senior Management Group and selected employees of the Company who are not members of the Senior Management Group (beneficiaries). In accordance with IFRS 2, 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 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.

If a member of the Management Board loses his or her position at MorphoSys Group before the end of the vesting/performance period, the Management Board member (or the member's heirs) is entitled to performance shares determined on a precise daily pro rata basis.

If a member of the Management Board loses his or her position at MorphoSys Group for good reason as defined by Section 626 (2) of the German Civil Code (BGB) and/or as defined by Section 84 (3) of the German Stock Corporation Act (AktG), the beneficiary will not be entitled to performance shares.

If a cumulative absence of more than 90 days occurs during the four-year vesting period/performance period, the beneficiary is entitled to a precise daily pro rata amount of performance shares. Absence is defined as either a continued period of lost work time due to illness or inactivity of a beneficiary or employment relationship without continued pay.

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.

As of April 1, 2019, a total of 22,763 treasury shares were allocated to beneficiaries with 9,347 performance shares allocated to the Management Board, 11,306 performance shares allocated to the Senior Management Group and 2,110 to performance shares allocated to selected employees of the Company who are not members of the Senior Management Group. The stated number of shares allocated is based on the 100% target achievement of the performance criteria and a company factor of 1. The fair value of the performance shares on the grant date was € 106.85 per share. From the grant date until December 31, 2019, one beneficiary left MorphoSys resulting in the forfeiture of 137 performance shares. For the calculation of personnel expenses from share-based payment under the 2019 LTI Plan, the assumption is that four beneficiaries would leave the Company during the four-year period.

In 2019, personnel expenses resulting from performance shares under the Group's 2019 LTI Plan amounted to € 1,294,974.

The fair value of the performance shares from the Long-Term Incentive Plans 2015 until 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 of each program are listed in the table below.

	April 2016 Long-Term Incentive Program	April 2017 Long-Term Incentive Program	April 2018 Long-Term Incentive Program	April 2019 Long-Term Incentive Program
Share Price on Grant Date in €	43.28	55.07	81.05	85.00
Exercise Price in €	n/a	n/a	n/a	n/a
Expected Volatility of the MorphoSys share in %	34.64	37.49	35.95	37.76
Expected Volatility of the Nasdaq Biotech Index in %	23.39	25.07	25.1	18.61
Expected Volatility of the TecDAX Index in %	17.01	16.94	17.73	26.46
Performance Term of Program in Years	4.0	4.0	4.0	4.0
Dividend Yield in %	n/a	n/a	n/a	n/a
Risk-free Interest Rate in %	0.05	between 0.03 and 0.23	between 0.02 and 0.15	between 0.02 and 0.13

7.3.7 MORPHOSYS US INC. – 2019 LONG-TERM INCENTIVE PROGRAM

On April 1, 2019, MorphoSys established a Long-Term Incentive Plan (LTI Plan) for the President and selected employees of MorphoSys US Inc. (beneficiaries). In accordance with IFRS 2, 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.

If a beneficiary loses his or her position or ends his or her employment at MorphoSys US Inc. before the end of the performance period, the beneficiary will be entitled to performance shares determined on a precise daily pro rata basis for performance periods that have ended or started.

As of April 1, 2019, a total of 14,283 treasury shares has been allocated to US beneficiaries, of which 5,065 treasury share were granted to the President and 9,218 to selected employees of MorphoSys US Inc. The stated number of shares allocated is based on 100% target achievement. The fair value of the performance shares on December 31, 2019 was € 126.80 per share. From April 1 to December 31, 2019, one US beneficiary had left MorphoSys US Inc. resulting in the forfeiture of 1.815 performance shares. For the calculation of personnel expenses resulting from share-based payment under the 2019 LTI Plan, the assumption is that one beneficiary would leave the Company during the four-year period.

In 2019, personnel expenses resulting from performance shares under the MorphoSys US Inc.'s 2019 LTI Plan amounted to € 1,076,158.

7.3.8 SHARE PLAN

On September 10, 2018, MorphoSys established a share plan for one employee of MorphoSys US Inc. In accordance with IFRS 2, 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.

7.4 MORPHOSYS US INC. – RESTRICTED STOCK UNIT PLAN (RSUP)

On October 1, 2019, MorphoSys established a Long-Term Incentive Plan (LTI Plan) for selected employees of MorphoSys US Inc. (beneficiaries). According to IFRS 2, 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 or her position or terminates his or her employment with MorphoSys US Inc. prior to the end of a one-year performance period, the beneficiary loses his or her entitlement to a pro rata number of performance shares in the relevant one-year performance period and for future performance periods. The beneficiary retains the entitlements from previously completed one-year performance periods.

As of October 1, 2019, 14,990 “Restricted Shares” were granted to US beneficiaries. The stated number of shares granted is based on 100% target achievement. The fair value of the performance shares as of October 1, 2019 was € 98.10 per share. From October 1, 2019 to December 31, 2019, no US beneficiary had left MorphoSys US Inc. and therefore no restricted shares were forfeited. For the calculation of personnel expenses resulting from share-based payment under the 2019 LTI Plan, the assumption is that one beneficiary would leave the Company during the four-year period.

In 2019, personnel expenses resulting from performance shares under the MorphoSys US Inc.’s 2019 RSUP amounted to € 296,415.

7.5 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 convertible bonds and performance shares. The tables below show the shares, stock options, convertible bonds and performance shares held by the members of the Management Board and Supervisory Board, as well as the changes in their ownership during the 2019 financial year.

SHARES

	01/01/2019	Additions	Sales	12/31/2019
Management Board				
Dr. Jean-Paul Kress [1]	-	0	0	0
Jens Holstein	17,017	39,808	37,308	19,517
Dr. Malte Peters	12,818	0	9,505	3,313
Dr. Markus Enzelberger	1,676	1,837	1,837	1,676
Dr. Simon Moroney [2]	483,709	0	0	-
Total	515,220	41,645	48,650	24,506
Supervisory Board				
Dr. Marc Cluzel	500	250	0	750
Dr. Frank Morich	1,000	0	0	1,000
Michael Brosnan	0	0	0	0
Sharon Curran [3]	-	0	0	0
Dr. George Golumbeski	0	0	0	0
Wendy Johnson	500	0	0	500
Krisja Vermeylen	350	0	0	350
Total	2,350	250	0	2,600

STOCK OPTIONS

	01/01/2019	Additions	Forfeitures	Exercises	12/31/2019
Management Board					
Dr. Jean-Paul Kress [1]	-	57,078	0	0	57,078
Jens Holstein	14,673	6,936	0	0	21,609
Dr. Malte Peters	14,673	6,936	0	0	21,609
Dr. Markus Enzelberger	11,742	6,936	0	0	18,678
Dr. Simon Moroney [2]	22,395	10,587	0	0	-
Total	63,483	88,473	0	0	118,974

CONVERTIBLE BONDS

	01/01/2019	Additions	Forfeitures	Exercises	12/31/2019
Management Board					
Dr. Jean-Paul Kress [1]	-	0	0	0	0
Jens Holstein	30,000	0	0	30,000	0
Dr. Malte Peters	0	0	0	0	0
Dr. Markus Enzelberger	0	0	0	0	0
Dr. Simon Moroney [2]	88,386	0	0	0	-
Total	118,386	0	0	30,000	0

PERFORMANCE SHARES

	01/01/2019	Additions	Forfeitures	Allocations [4]	12/31/2019
Management Board					
Dr. Jean-Paul Kress [1]	-	0	0	0	0
Jens Holstein	17,936	2,065	0	7,308	12,693
Dr. Malte Peters	5,132	2,065	0	0	7,197
Dr. Markus Enzelberger	7,031	2,065	0	1,837	7,259
Dr. Simon Moroney [2]	27,050	3,152	0	0	-
Total	57,149	9,347	0	9,145	27,149

1 Dr. Jean-Paul Kress has joined the Management Board of MorphoSys AG on September 1, 2019.
2 Dr. Simon Moroney resigned from the management board and his function as Chief Executive Officer as of August 31, 2019. Changes in the number of shares after resignation from the Management Board of MorphoSys AG are not presented in the tables.
3 Sharon Curran has joined the Supervisory Board of MorphoSys AG on June 14, 2019.
4 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, convertible bonds or performance shares.

The remuneration system for the Management Board is intended to encourage 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 and the current year, a convertible bond program from 2013 and stock option plans from the prior and current years. 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 2019.

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 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.

Whereas the management report presents the remuneration of the Management Board and Supervisory Boards as members in key management positions in accordance with the provisions of the German Corporate Governance Code, the following tables show the expense-based view in accordance with IAS 24.

MANAGEMENT BOARD REMUNERATION FOR THE YEARS 2019 AND 2018 (IAS 24):

	Dr. Jean-Paul Kress Chief Executive Officer Appointment: September 1, 2019		Jens Holstein Chief Financial Officer		Dr. Malte Peters Chief Development Officer	
	2018	2019	2018	2019	2018	2019
Fixed Compensation	0	233,333	402,235	418,324	397,800	413,712
Fringe Benefits	0	93,551	46,725	44,090	30,613	32,892
One -Year Variable Compensation	0	196,000	337,877	351,392	334,152	347,518
One-Time Bonus	0	1,000,000	0	500,000	-	500,000
Total Short-Term Employee Benefits (IAS 24.17 (a))	0	1,522,884	786,837	1,313,806	762,565	1,294,122
Service Cost	0	44,965	111,233	114,224	76,190	77,787
Total Benefit Expenses – Post-Employment Benefits (IAS 24.17 (b))	0	44,965	111,233	114,224	76,190	77,787
Termination Benefits	0	0	0	0	0	0
Total Termination Benefits (IAS 24.17 (d))	0	0	0	0	0	0
One-Time Bonus in Shares	0	0	358,857	0	354,900	0
Multi-Year Variable Compensation [1]:						
2014 Long-Term Incentive Program (Vesting Period 4 Years)	0	0	994	0	0	0
2015 Long-Term Incentive Program (Vesting Period 4 Years)	0	0	18,257	1,180	0	0
2016 Long-Term Incentive Program (Vesting Period 4 Years)	0	0	56,632	22,320	0	0
2017 Long-Term Incentive Program (Vesting Period 4 Years)	0	0	68,437	34,457	68,437	34,457
2018 Long-Term Incentive Program (Vesting Period 4 Years)	0	0	91,595	66,087	91,595	66,087
2019 Long-Term Incentive Program (Vesting Period 4 Years)	0	0	0	97,952	0	97,952
2017 Stock Option Plan (Vesting Period 4 Years)	0	0	53,441	26,906	53,441	26,906
2018 Stock Option Plan (Vesting Period 4 Years)	0	0	89,593	64,642	89,593	64,642
2019 Stock Option Plan (Vesting Period 4 Years)	0	422,919	0	97,978	0	97,978
Total Share-Based Payment (IAS 24.17 (e))	0	422,919	737,806	411,522	657,966	388,022
Total Compensation	0	1,990,768	1,635,876	1,839,552	1,496,721	1,759,931

Dr. Markus Enzelberger Chief Scientific Officer		Dr. Simon Moroney [2] Chief Executive Officer Resignation: August 31, 2019		Total	
2018	2019	2018	2019	2018	2019
321,300	334,152	542,074	372,154	1,663,409	1,771,675
31,211	31,365	32,654	28,304	141,203	230,202
269,892	280,688	455,343	328,859	1,397,264	1,504,457
-	200,000	0	-	0	2,200,000
622,403	846,205	1,030,071	729,317	3,201,876	5,706,334
68,515	69,805	158,788	107,263	414,726	414,044
68,515	69,805	158,788	107,263	414,726	414,044
0	104,483	0	1,086,602	0	1,191,085
0	104,483	0	1,086,602	0	1,191,085
286,650	0	483,616	-	1,484,023	0
			0		
0	0	1,452	-	2,446	0
0	0	26,657	1,723	44,914	2,903
0	0	86,435	36,266	143,067	58,586
105,222	23,301	104,449	74,654	346,545	166,869
91,595	74,512	140,040	167,489	414,825	374,175
0	123,292	0	336,791	0	655,987
82,185	18,199	81,566	58,298	270,633	130,309
89,593	72,888	136,980	163,791	405,759	365,963
0	123,284	0	336,772	0	1,078,931
655,245	435,476	1,061,195	1,175,784	3,112,212	2,833,723
1,346,163	1,455,969	2,250,054	3,098,966	6,728,814	10,145,186

1 The fair value was determined pursuant to the regulations of IFRS 2 „share-based payment“. This table shows the pro-rata share of personnel expenses resulting from share-based payment for the respective financial year. Further details can be found in Sections 7.1, 7.2 und 7.3.

2 Dr. Simon Moroney resigned from the management board and his function as Chief Executive Officer as of August 31, 2019. Due to his many years of service for the Company, the Supervisory Board decided that

Dr. Simon Moroney will be entitled not only to a pro-rated share but to the entire long-term share-based compensation components granted (stock options and performance shares) – provided that all other conditions of the plans are fulfilled.

In the years 2019 and 2018, 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 2019 and 2018.

On October 1, 2019, the new CEO Dr. Jean-Paul Kress (CEO since September 1, 2019) was granted stock options valued at € 1,500,000.00 and an additional one-time, sign-on stock option package worth € 500,000.00 for a total of 57,078 stock options.

In 2019, the total remuneration for the Supervisory Board, excluding reimbursed travel costs, amounted to € 633,597 (2018: € 525,428).

SUPERVISORY BOARD REMUNERATION FOR THE YEARS 2019 AND 2018:

	Fixed Compensation		Attendance Fees [1]		Total Compensation	
in €	2019	2018	2019	2018	2019	2018
Dr. Marc Cluzel	104,210	76,742	44,400	32,400	148,610	109,142
Dr. Frank Morich	70,926	61,004	33,600	23,200	104,526	84,204
Michael Brosnan	51,284	28,961	34,000	18,600	85,284	47,561
Sharon Curran [2]	27,791	-	11,600	-	39,391	-
Dr. George Golumbeski	51,284	28,961	31,600	25,200	82,884	54,161
Wendy Johnson	47,618	46,160	35,600	37,400	83,218	83,560
Krisja Vermeylen	57,284	49,916	32,400	24,400	89,684	74,316
Dr. Gerald Möller [3]	-	36,558	-	11,800	-	48,358
Klaus Kühn [3]	-	17,326	-	6,800	-	24,126
Total	**410,397**	**345,628**	**223,200**	**179,800**	**633,597**	**525,428**

1 The attendance fee contains expense allowances for the attendance at the Supervisory Board and the Committee meetings.
2 Sharon Curran has joined the Supervisory Board of MorphoSys AG on June 14, 2019.
3 Dr. Gerald Möller and Klaus Kühn have left the Supervisory Board of MorphoSys AG on May 17, 2018.

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

As of December 31, 2019, the Senior Management Group held 100,832 stock options (December 31, 2018: 72,604 stock options), 11,233 convertible bonds (December 31, 2018: 11,233 convertible bonds) and 63,786 performance shares (December 31, 2018: 83,660 performance shares), granted by the Company. On December 31, 2019, the President of MorphoSys US Inc. held 5,065 performance shares (December 31, 2018: 0 performance shares) granted to him by the Company.

In 2019, a new stock option plan and a new performance share program were issued to the Senior Management Group (see Notes 7.1.3 and 7.3.6), as well as a new performance share program to the President of MorphoSys US Inc. (see Note 7.3.7).

On April 1, 2019, the Senior Management Group was allocated 18,798 shares under the 2015 LTI Plan and had the option to receive these shares within eight months. As of December 31, 2019, the Senior Management Group exercised the option for 18,798 shares.

8 Additional Notes

8.1 OBLIGATIONS ARISING FROM LEASES AND OTHER CONTRACTS

The future minimum payments under non-terminable leases of low value assets, contracts for insurances and other services as of December 31, 2019 are shown in the table below.

in 000' €	Leases of Low Value Assets	Other	Total
Up to One Year	59	1,235	1,294
Between One and Five Years	41	297	338
More than Five Years	0	0	0
Total	100	1,532	1,632

Additionally, the future payments shown in the table below may become due for outsourced studies after December 31, 2019. These amounts could be shifted or substantially lower due to changes in the study timeline or premature study termination.

in million €	Total 2019
Up to One Year	64.4
Between One and Five Years	100.3
More than Five Years	0.0
Total	164.7

8.2 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$ 287 million related to regulatory events or the achievement of sales targets. The next milestone payments of US$ 37.5 million are anticipated to 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 (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.

Obligations may arise from enforcing the Company's patent rights versus third parties. It is also conceivable that competitors may challenge the patents of MorphoSys Group or MorphoSys may also come to the conclusion that MorphoSys's 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.

On January 31, 2019, MorphoSys announced that it had resolved its dispute with Janssen Biotech and Genmab A/S. The parties agreed to drop their counterclaims in connection with the litigation. MorphoSys withdrew its

claims of alleged patent infringement against Janssen Biotech and Genmab A/S and agreed not to appeal against the court order of January 25, 2019. Janssen and Genmab withdrew their counterclaims against MorphoSys.

8.3 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 2018 financial year under Section 161 of the German Stock Corporation Act (AktG). This declaration was published on the Group's website (www.morphosys.com) on November 29, 2019 and made permanently available to the public.

8.4 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 2019 financial year.

8.4.1 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, 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' 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. Under the agreement, the companies will work together to significantly expand the existing development plan for MOR106. Novartis exclusively holds all 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 will be borne by Novartis. As part of this agreement, Novartis will 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 (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. The three parties are currently evaluating the future strategy for MOR106.

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.

In 2017, MorphoSys announced it had signed an exclusive regional licensing agreement with I-Mab Biopharma to develop and commercialize MOR202 in China, Taiwan, Hong Kong and Macau. MOR202 is MorphoSys's proprietary antibody targeting CD38. MorphoSys is currently evaluating MOR202 in Europe in a phase 1/2 study in multiple myeloma and in a phase 1/2 study in an inflammatory autoimmune disease of the kidneys. Under the terms of the agreement, I-Mab Biopharma has the exclusive right for the later development and commercialization of 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. In addition, MorphoSys will be entitled to receive double-digit, staggered royalties on net revenue of MOR202 in the agreed regions. I-Mab is evaluating MOR202/TJ202 in a pivotal phase 2 trial initiated in March 2019 as a third-line therapy in r/r multiple myeloma and in a phase 3 trial in combination with lenalidomide as a second-line therapy in multiple myeloma initiated in April 2019.

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 C5aR 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. 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 commercialized products based on the companies' development progress.

In June 2014, MorphoSys and Merck KGaA announced an agreement to identify and develop therapeutic antibodies against target molecules of the class of immune checkpoints. Under this agreement, both MorphoSys and Merck Serono, the biopharmaceutical division of Merck, intended to co-develop therapies for triggering the

immune system to attack tumors. In April 2019, Merck announced that the joint development and license agreement would be terminated in the second quarter of 2019. As a result, the active collaboration was terminated in 2019 and the respective rights reverted to the partners.

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, they 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 AG 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 further clinical development after the successful completion of the phase 1 clinical trial. Upon signing the license and cooperation agreement, Xencor received a payment of US$ 13.0 million (approx. € 10.5 million) from MorphoSys, which was capitalized under in-process R&D programs. Xencor is entitled to development, regulatory and commercially-related milestone payments as well as tiered royalties on product sales.

8.4.2 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 2019 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 2019 but where drug development programs were still being pursued include (in alphabetical order): Bayer AG, Boehringer Ingelheim, Fibron Ltd. (transfer of contract from Prochon Biotech Ltd.), Janssen Biotech, Novartis, OncoMed Pharmaceuticals (fully acquired in April 2019 by Mereo BioPharma Group), Pfizer and Roche.

Partnerships that were still active in 2019 include (in alphabetical order): GeneFrontier Corporation/Kaneka, Sosei Heptares 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. This alliance was expanded in 2018 to include peptide-derived therapeutics with the goal of identifying novel, peptide-derived drugs for treating diseases with a high unmet medical need. This expansion represents a valuable addition to the development pipelines of both companies.

The Group's alliance with Novartis AG for the research and development of biopharmaceuticals came to an end in November 2017. The companies' 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.

8.5 SUBSEQUENT EVENTS

On January 13, 2020, we and Incyte Corporation announced that both companies entered into a collaboration and license agreement to further develop and commercialize MorphoSys' proprietary anti-CD19 antibody tafasitamab globally. Under the terms of the agreement, we will receive an upfront payment of US$ 750 million. In addition, Incyte has made an equity investment into MorphoSys of US$ 150 million in new American Depositary Shares (ADS) of MorphoSys at a premium to the share price at signing of the agreement. Depending on the achievement of certain developmental, regulatory and commercial milestones, we will be eligible to receive milestone payments amounting to up to US$ 1.1 billion. We will also receive tiered royalties on ex-U.S. net sales of tafasitamab in a mid-teens to mid-twenties percentage range. In the U.S., MorphoSys and Incyte will co-commercialize tafasitamab, with MorphoSys leading the commercialization strategy and recording all revenues from sales of tafasitamab. Incyte and MorphoSys will be jointly responsible for commercialization activities in the U.S. and will share profits and losses on a 50:50 basis. Outside the U.S., Incyte will have exclusive commercialization rights, and will lead the commercialization strategy and record all revenues from sales of tafasitamab, paying MorphoSys royalties on ex-U.S. net sales. Furthermore, the companies will share development costs associated with global and U.S.-specific trials at a rate of 55% (Incyte) and 45% (MorphoSys); Incyte will cover 100% of the future development costs for trials that are specific to ex-U.S.countries. We have agreed to develop tafasitamab broadly in relapsed/refractory diffuse large B cell lymphoma (r/r DLBCL), frontline DLBCL and in other indications beyond DLBCL, such as follicular lymphoma (FL), marginal zone lymphoma (MZL) and chronic lymphocytic leukemia (CLL). Incyte will be responsible for initiating a combination study of its PI3K delta inhibitor parsaclisib and tafasitamab in relapsed or refractory B cell malignancies. Incyte will also be responsible for leading any potential pivotal studies in CLL and for a phase 3 trial in r/r FL/MZL. We will continue to be responsible for our ongoing clinical studies with tafasitamab in non-Hodgkin's lymphoma (NHL), CLL, r/r DLBCL and frontline DLBCL. We, together with Incyte, will share responsibility for initiating further global clinical trials. Incyte intends to pursue development in other territories, such as Japan and China. The agreement between MorphoSys and Incyte, including the equity investment, was subject to clearance by the U.S. antitrust authorities under the Hart-Scott-Rodino Act as well as by the German and Austrian antitrust authorities. The agreement has received antitrust clearance on or before March 2, 2020, and became effective on March 3, 2020. The agreement becoming effective triggered the US$ 750 million upfront payment by Incyte to MorphoSys, as well as Incyte's equity investment into MorphoSys of US$ 150 million in new American Depositary Shares (ADS) within the defined timelines.

On February 4, 2020 we announced the initiation of an expanded access program (EAP) in the U.S. for tafasitamab. The EAP may provide access to tafasitamab for use in patients with relapsed or refractory diffuse large B-cell lymphoma (r/r DLBCL) in combination with lenalidomide. According to the U.S. FDA, expanded access programs – sometimes called "compassionate use" – provide a pathway for a patient to receive an investigational medicine for a serious disease or condition. They are often made available when there are no comparable or satisfactory alternative therapies to treat the disease or condition; patient enrollment in clinical trials is not possible; potential patient benefit justifies the potential risk of treatment and providing the investigational medicine will not interfere with investigational trials that could support the medicine's marketing approval for the treatment indication. To qualify for the tafasitamab EAP, patients with r/r DLBCL need to meet the EAP inclusion/exclusion criteria that are aligned with the MorphoSys' L-MIND study. Treatment of DLBCL patients in the EAP is recommended with tafasitamab in combination with lenalidomide according to the treatment schedule in L-MIND. The EAP will be available for a limited time while the U.S. FDA reviews MorphoSys' Biologics License Application (BLA) for tafasitamab. Requests for expanded access to tafasitamab must be made by a U.S. licensed, treating physician. The tafasitamab EAP will be administered by Clinigen Healthcare Ltd.

On March 2, 2020, we announced that the U.S. Food and Drug Administration (FDA) accepted filing of MorphoSys' Biologics License Application (BLA) and granted priority review for tafasitamab, under review in combination with lenalidomide for the treatment of relapsed or refractory diffuse large B cell lymphoma (r/r

DLBCL).The FDA has set a Prescription Drug User Fee Act (PDUFA) goal date of August 30, 2020. The FDA has informed MorphoSys that they are not currently planning to hold an advisory committee meeting to discuss the application.

On March 4, 2020, MorphoSys announced that its Management Board, with the approval of the Supervisory Board, has resolved to increase the share capital of MorphoSys AG by issuing 907,441 new ordinary shares from the authorized capital 2017-I, excluding pre-emptive rights of existing shareholders, to implement the purchase of 3,629,764 American Depositary Shares (ADSs) by Incyte. Each ADS will represent 1/4 of a MorphoSys ordinary share. The new ordinary shares underlying the ADSs represent 2.84% of the registered share capital of MorphoSys prior to the consummation of the capital increase. Incyte's purchase of ADSs in the aggregate amount of US$150 million is part of the consideration due under its collaboration and licensing agreement with MorphoSys for the further development and commercialization of MorphoSys' investigational compound tafasitamab; the agreement has become effective upon receiving antitrust clearance. Incyte will purchase the 3,629,764 new ADSs at a price of $41.32 per ADS, including a premium of 20 percent on the volume-weighted average price of ADSs thirty days prior to execution of the collaboration and licensing agreement. Incyte has agreed, subject to limited exceptions, not to sell or otherwise transfer any of the new ADSs, which will represent 2.76% of the registered share capital of MorphoSys following the capital increase, for an 18-month period.

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, 2020

Dr. Jean-Paul Kress
Chief Executive Officer

Jens Holstein
Chief Financial Officer

Dr. Malte Peters
Chief Development Officer

EXHIBIT INDEX

Exhibit Number	Description of Document
1*	Articles of Association of MorphoSys AG
2*	Description of Securities
4.1	Form of American Depository Receipt (included in Exhibit 4.3)
4.2	Form of Global Share Certificate for Ordinary Shares (English translation) (Incorporated by reference to the Registrant's Registration Statement on Form F-1, File No. 333-223843, filed with the SEC on March 22, 2018)
4.3	Form of Deposit Agreement (incorporated by reference to Exhibit 1 to the Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form F-6 (File No. 333-130614) filed with the Securities and Exchange Commission on April 10, 2018)
4.4	Collaboration and License Agreement between Xencor, Inc. and MorphoSys AG dated June 27, 2010 (Incorporated by reference to the Registrant's Registration Statement on Form F-1/A, File No. 333-223843, filed with the SEC on April 11, 2018)†
4.5	First Amendment to Collaboration and License Agreement between Xencor, Inc. and MorphoSys AG dated March 23, 2012 (Incorporated by reference to the Registrant's Registration Statement on Form F-1, File No. 333-223843, filed with the SEC on March 22, 2018)†
4.6	Amended and Restated Research and License Agreement between Centocor, Inc. and MorphoSys AG dated December 22, 2004 (Incorporated by reference to the Registrant's Registration Statement on Form F-1/A, File No. 333-223843, filed with the SEC on April 16, 2018)†
4.7	First Amendment to Amended and Restated Research and License Agreement between Centocor, Inc. and MorphoSys AG dated November 7, 2006 (Incorporated by reference to the Registrant's Registration Statement on Form F-1/A, File No. 333-223843, filed with the SEC on April 11, 2018)†
4.8	Second Amendment to Amended and Restated Research and License Agreement between Centocor, Inc. and MorphoSys AG dated October 26, 2009 (Incorporated by reference to the Registrant's Registration Statement on Form F-1, File No. 333-223843, filed with the SEC on March 22, 2018)
4.9	Lease Agreement between GIP Grundbesitz Investitionsgesellschaft Planegg mbH & Co. KG and MorphoSys AG dated December 17, 2015 (Incorporated by reference to the Registrant's Registration Statement on Form F-1/A, File No. 333-223843, filed with the SEC on April 11, 2018)†
4.10*	Collaboration and License Agreement between Incyte Corporation and MorphoSys AG dated January 12, 2020
8.1*	List of Subsidiaries
12.1*	Certification of CEO and CFO Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
13.1*	Certification of CEO and CFO Pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934
15.1*	Consent of Independent Registered Public Accounting Firm
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed at the SEC herewith.

† Certain information omitted pursuant to a request for confidential treatment filed separately with the SEC.

Signatures

MorphoSys AG hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on Form 20-F on its behalf.

MorphoSys AG (Registrant)

/s/ Dr. Jean-Paul Kress
Name: Dr. Jean-Paul Kress
Title: CEO and member of the Board of Management
Dated: March 18, 2020

Exhibit 1

The following is a convenience translation. The German version shall be authoritative.

Articles of Association

of

MorphoSys AG

I.

General Provisions

Section 1

Name and Registered Office

(1) The name of the company is:

MorphoSys AG.

(2) The company has its registered office in Planegg.

Section 2

Object of the Company

(1) The object of the Company is to identify, explore, optimize, develop, apply, commercialize, and sell technologies, processes and products in the field of medicines, pharmaceutical compounds and related intermediate products, as well to provide the related services.

(2) The Company is authorized to operate all businesses and take all measures that relate to or seem directly or indirectly conducive to achieving the object of the Company. For this purpose, the Company may establish, acquire, or take participating interests in other companies, or assume such management duties. This applies in particular to companies operating in whole or in part in the fields described in subsection (1). The Company may outsource its business operations to affiliated companies, in whole or in part, or have them carried out by affiliated companies, and focus on the management of its participating interests. The Company can also limit its activities to a portion of the activities named in subsection (1).

Section 3

Company Duration, Fiscal Year

(1) The Company has been set up for an indefinite period.

(2) The fiscal year shall be the calendar year.

Section 4

Notices

Notices of the Company shall be published in the Gazette of the Federal Republic of Germany (*Bundesanzeiger*).

II.

Share Capital and Shares

Section 5

Amount and Division of the Share Capital

(1) The share capital amounts to € 32.865.399,00.

(2) The share capital is divided into 32.865.399 no-par value bearer shares.

(3) The form of the share certificates and of the dividend coupons and renewal coupons shall be determined by the Management Board with the consent of the Supervisory

Board. Single shares may be combined in share certificates evidencing a number of shares (global shares/global share certificates). Shareholders shall have no entitlement to the issuance of share certificates.

(4) deleted.

(5) With the Supervisory Board´s consent, the Management Board is authorized to increase the Company's share capital by issuing a maximum of 11,768,314 new no-par value bearer shares against contribution in cash and/or in kind up to an amount of 11,768,314.00 € on one or several occasions until and including the date of April 30, 2023 (Authorized Capital 2018-I).

When executing capital increases, shareholders are principally entitled to subscription rights. The shares may also be subscribed to by one or several credit institutions with the obligation to offer the shares to shareholders for subscription. With the Supervisory Board´s consent, the Management Board is, however, authorized to exclude the subscription rights of shareholders in the following cases:

aa) in the case of a capital increase against contribution in cash, to the extent such exclusion is necessary to avoid fractional shares; or

bb) in the case of a capital increase against contribution in kind; or

cc) in the case of a capital increase against contribution in cash to the extent the new shares shall be placed on a foreign stock exchange in the context of a new listing.

The total number of shares to be issued via a capital increases against contribution in cash and/or in kind, excluding subscription rights and based on the authorizations mentioned above, shall not exceed 20 % of the share capital when calculated based on the authorizations´ effective date or exercise, whichever amount is lower. This 20 % limit mentioned above shall take into account (i) treasury shares sold with the exclusion of subscription rights after the effective date of these authorizations (unless they service the entitlements of members of the Management Board and/or employees under employee participation programs); (ii) shares that are issued excluding subscription rights during the effective period of these authorizations from other authorized capital existing on the effective date of these authorizations; and (iii) shares to be issued during the effective period of these authorizations to service bonds with conversion or warrant rights, whose authorization basis exists on the effective date of these authorizations, to the extend the bonds with conversion or warrant rights were issued with the exclusion of shareholders´ subscription rights (unless they service the entitlements of members of the Management Board and/or employees under employee participation programs).

With the Supervisory Board´s consent, the Management Board shall be authorized to determine the further details of the capital increase and its execution.

(6) With the Supervisory Board's consent, the Management Board is authorized to increase the Company's share capital by issuing a maximum of 2,008,536 new no-par value bearer shares against contribution in cash up to an amount of 2,008,536.00 € on one or several occasions until and including the date of April 30, 2022 (Authorized Capital 2017-I).

Shareholders are principally entitled to subscription rights. The shares may also be subscribed to by one or several credit institutions with the obligation to offer the shares to shareholders for subscription. With the Supervisory Board's consent, the Management Board is, however, authorized to exclude the subscription rights of shareholders in the following cases:

aa) to the extent such exclusion is necessary to avoid fractional shares; or

bb) if the issue price of the new shares is not significantly below the market price of shares of the same class already listed and the total number of shares issued pursuant to or based on the analogous application of section 186 para. 3, sentence 4 AktG in return for cash contributions and for which the shareholders' subscription right is excluded while the authorization is in effect does not exceed 10 % of the share capital, specifically neither on the effective date of this authorization nor at the time this authorization is exercised.

The total number of shares to be issued via capital increases against contribution in cash, excluding subscription rights and based on the authorizations mentioned above shall not exceed 20 % of the share capital when calculated based on the authorizations' effective date or exercise, whichever amount is lower. This 20 % limit mentioned above shall take into account (i) treasury shares sold with the exclusion of subscription rights after the effective date of these authorizations (unless they service the entitlements of Convenience translation only 5 members of the Management Board and/or employees under employee participation programs); (ii) shares to be issued with the exclusion of subscription rights during the effective period of these authorizations from other authorized capital existing on the effective date of these authorizations or to be resolved by the same Annual General Meeting resolving these authorizations; and (iii) shares to be issued during the effective period of these authorizations to service bonds with conversion or warrant rights, whose authorization basis exists on the effective date of these authorizations, to the extent the bonds with conversion or warrant rights were issued with the exclusion of shareholders' subscription rights (unless they service the entitlements of members of the Management Board and/or employees under employee participation programs).

With the Supervisory Board's consent, the Management Board shall be authorized to determine the further details of the capital increase and its execution."

(6 a) deleted

(6 b) The Company's share capital is increased conditionally by up to EUR 5,307,536.00 through the issue of up to 5,307,536 new no-par-value bearer shares (Conditional Capital 2016-I). The conditional capital increase serves solely as a means to grant new shares to the holders of conversion or warrant rights that will be issued by the Company or companies in which the Company has a direct or indirect majority interest according to the authorizing resolution of the Annual General Meeting on June 2, 2016 under Agenda Item 7 a). The issue of the shares will be carried out at the respective conversion or exercise price to be determined in accordance with the resolution above. The conditional capital increase will only be carried out to the extent that the holders of conversion or warrant rights exercise their rights or fulfill conversion obligations under such bonds. The shares will be entitled to dividends as of the beginning of the previous financial year if they were issued before the start of the Company's Annual General Meeting or otherwise as of the beginning of the financial year in which they were issued.

(6 c) deleted

(6 d) deleted

(6 e) The Company's share capital is conditionally increased by up to 38.062,00 € through the issuance of up to 38.062 new no-par value common shares of the Company (Conditional Capital 2008-III). The conditional capital increase will only be executed to the extent the holders of convertible bonds, which have been issued, exercise their conversion rights in exchange for the Company's common shares. The new shares participate in earnings from the beginning of the fiscal year in which they are issued by virtue of the exercise of conversion rights. The Management Board shall be authorized, with the consent of the Supervisory Board, to establish additional details regarding the conditional capital increase and its execution.

(6 f) intentionally left blank

(6 g) The Company's share capital is increased conditionally by up to EUR 995,162.00 through the issue of up to 995,162 new no-par-value bearer shares (Conditional Capital 2016-III). Conditional capital serves to meet the obligations of subscription rights that have been issued and exercised based on the authorization resolved by the Annual General Meeting of June 2, 2016 under Agenda Item 9 letter a). The conditional capital increase will be executed only to the extent that holders of subscription rights exercise their right to subscribe to shares of the Company. The shares will be issued at the exercise price set in each case as the issue price in accordance with Agenda Item 9 letter a) subparagraph (8) of the Annual General Meeting resolution dated June 2, 2016; Section 9 para. (1) AktG remains unaffected. The new shares are entitled to a dividend for the financial year for which no Annual General Meeting resolution has yet been made on the appropriation of profits at the time of the shares' issue. The Management Board, and the Supervisory Board where members of the Management Board are concerned, is authorized to determine the additional details of the conditional capital increase and its execution.

(6 h) The Management Board is authorized, with the consent of the Supervisory Board,

until 30 April 2024 (including), to increase the Company's registered share capital by up to € 159,197.00 against cash contributions and/or contributions in kind once or several times by issuing up to 159,197 new no-par value bearer shares (auf den Inhaber lautende Stückaktien) (Authorized Capital 2019-I).

The subscription rights of shareholders are excluded. The Authorized Capital 2019-I serves the purpose of delivering shares of the Company against the contribution of payment claims resulting from Restricted Stock Units (RSUs) in order to fulfill RSUs that were granted in accordance with the terms and conditions of the Restricted Stock Unit Program of the Company (RSUP) exclusively to senior managers and employees (including directors and officers) of MorphoSys US Inc.

The issue price of the new shares must amount to at least € 1.00 and can be paid either by way of a cash contribution and/or contribution in kind, including in particular the contribution of claims against the Company under the RSUP. The Management Board is authorized to determine the further details of the capital increase and its implementation with the consent of the Supervisory Board; this also includes the determination of the profit participation of the new shares, which may, in deviation from section 60 para. 2 AktG, also participate in the profit of an already completed fiscal year.

(7) The Supervisory Board is authorized to amend the Articles of Association to reflect the extent of the capital increase of conditional and authorized capital.

III.

Management Board

Section 6

Composition

The Management Board shall consist of at least two members. The number of members of the Management Board shall otherwise be determined by the Supervisory Board. The Supervisory Board may appoint one member of the Management Board to be Chairman and one or more members of the Board of Management to be Vice Chairman of the Management Board.

Section 7

Company Management and Representation

(1) The members of the Management Board are required to manage the business affairs of the Company on the basis of applicable laws, the Articles of Association and the Management Board's rules of procedure. The Management Board shall unanimously adopt rules of procedure and undertakes the allocation of responsibilities if the Supervisory Board has not adopted rules of procedure for the Management Board.

(2) The Company is represented by two members of the Management Board or by one member of the Management Board acting jointly with a *Prokurist* (authorized signatory with full power of representation). The Supervisory Board may grant individual members of the Management Board authorization to represent the Company individually and may revoke such authorization.

(3) The Supervisory Board may exempt one or more members of the Management Board from the prohibition on multiple representation in Section 181 of the BGB [German Civil Code] and that is without consideration of whether the Company is monistic or dualistic and likewise in the event the Company becomes a dualistic or monistic company.

IV.

The Supervisory Board

Section 8

Composition, Term of Office

(1) The Supervisory Board shall consist of seven members who are elected by the shareholders based on the provisions of the German Stock Corporation Act.

(2) The members of the Supervisory Board shall be elected for a term extending at most to the end of the General Meeting that resolves about ratification of the actions of the Supervisory Board in the fourth fiscal year after commencement of their terms of office. The fiscal year in which the terms of office begin shall not be counted for such purposes.

(3) Any member of the Supervisory Board, and every substitute member, may resign his or her office by means of a written declaration to be submitted to the Chairman of the Supervisory Board or to the Management Board on one month's notice. Resignation may be effective immediately for good cause.

(4) In the event a member of the Supervisory Board elected by the General Meeting leaves the Supervisory Board prior to the expiration of his or her term of office, election for a replacement shall be held at the next General Meeting.

(5) The General Meeting may appoint substitute members for those members of the Supervisory Board it elects who shall become members of the Supervisory Board in the order laid down when the election takes place in the event members of the Supervisory Board leave prior to the expiration of their respective term of office. The term of

office of a substitute member of the Supervisory Board ends upon the conclusion of the General Meeting at which an election pursuant to the terms of the preceding paragraph (4) is held.

Section 9

Chairman and Vice Chairman

(1) Following the General Meeting at which the members of the Supervisory Board have been appointed, a meeting of the Supervisory Board shall be held without special notice at which a Chairman and a Vice Chairman shall be elected for the duration of their terms of office.

(2) If the Chairman or the Vice Chairman of the Supervisory Board ceases to be a member before the end of his or her term of office, the Supervisory Board shall immediately elect a successor for the remainder of the respective term of office.

Section 10

Resolutions of the Supervisory Board

(1) The meetings of the Supervisory Board shall be called at least two weeks in advance by the Chairman or, in the Chairman's inability to act, by a Deputy Chairman. This period may be reduced in urgent cases. Notice of meetings may be given in writing, by telephone, facsimile or any other customary means of communication to the extent such method is suitable to provide confirmation of receipt. In all other respects, the statutory provisions as well as the rules of procedure of the Supervisory Board shall apply.

(2) Meetings conducted and resolutions adopted in writing, by telephone, facsimile or any other customary means of communication (e.g. by e-mail) or the participation of individual Supervisory Board members in meetings or the passing of resolutions using customary means of communication shall be permitted, unless the Chairman of the Supervisory Board decides otherwise in a specific case.

(3) The Supervisory Board shall have a quorum if two-thirds of the members, however at least three members, of which it is required to consist participate in passing the resolution and the Chairman or Vice Chairman is among them.

(4) Resolutions of the Supervisory Board require a majority of votes cast. In cases of a tie, the Chairman casts the deciding vote. The Chairman shall decide the form of voting.

(5) Minutes shall be taken of all meetings of the Supervisory Board which must be signed by the Chairman, or in the event of his or her ability to act, the Vice Chairman. The foregoing applies accordingly in the case of resolutions adopted in writing, by telephone, facsimile or any other customary means of communication (e.g. by e-mail or video conference).

(6) Declarations of intent of the Supervisory Board shall be provided on behalf of the Supervisory Board by the Chairman.

Section 11

Committees

(1) The Supervisory Board may appoint one or more committees from among its members. To the extent permissible by law, the committees may be granted decision-making powers of the Supervisory Board.

(2) Every committee may elect a Chairman from among its members unless one has been appointed by the Supervisory Board.

(3) The rules set out under Section 10 shall apply analogously to the committees.

Section 12

Rules of procedure, Declarations of intent, Changes in wording

(1) As permitted by law and the Articles of Association, the Supervisory Board shall establish its own internal rules of procedure.

(2) The Chairman—or in the event of his or her incapacity to act the Vice Chairman—is authorized to provide declarations of intent on behalf of the Supervisory Board necessary to implement resolutions of the Supervisory Board and its committees. Only the Chairman—or in the event of his or her incapacity to act the Vice Chairman—is authorized to accept declarations on behalf of the Supervisory Board.

(3) The Supervisory Board is authorized to adopt amendments to the Articles of Association which only relate to the wording.

Section 13

Confidentiality

(1) The members of the Supervisory Board shall keep secret any confidential information and secrets of the Company, in particular company and business secrets that have become known to them in connection with their work as members of the Supervisory Board. This obligation continues to apply following retirement from office.

(2) If a member of the Supervisory Board intends to disclose information regarding the subject or results of a meeting of the Supervisory Board or other resolution adopted by the Supervisory Board, which does not fall within the scope of the preceding paragraph (1), to a third party, he or she must consult with the Chairman of the Supervisory Board in advance.

Section 14

Management Board rules of procedure, Reservation of consent

The Supervisory Board is entitled to issue internal rules of procedure for the Management Board which, in particular, set out which transactions require the consent of the Supervisory Board prior to their execution.

Section 15

Supervisory Board Compensation

(1) In addition to the reimbursement of expenses, each member of the Supervisory Board shall receive reasonable annual compensation which is to be set by the General Meeting and—unless otherwise provided—is payable on the day following the conclusion of the General Meeting which ratifies the actions of the Supervisory Board for the relevant fiscal year.

(2) Supervisory Board members who have been members of the Supervisory Board for only a part of the fiscal year shall receive reduced compensation in cash on a pro rata basis.

(3) The Company shall reimburse every member of the Supervisory Board for value added tax payable with respect to his or her cash compensation.

(4) (a) The Supervisory Board members shall be included in a D&O liability insurance for board members and certain employees of the MorphoSys Group maintained by the Company in the Company's interests that, where existing, will provide reasonable coverage against financial damages. The premiums for this policy shall be paid by the Company.

(b) The Company shall reimburse the costs incurred by any Supervisory Board member in connection with the completion of further education and training measures required for the performance of his or her office in accordance with the provisions of the German Corporate Governance Code (Sec. 5.4.1).

V.

General Meeting

Section 16

Place of the General Meeting, Notice

(1) The General Meeting shall be held at the Company's registered office or at the seat of a stock exchange in Germany.

(2) The statutory provisions apply to the convening deadline.

Section 17

Right of Attendance

(1) Shareholders wishing to participate in the General Meeting or exercise their voting rights, must register for the General Meeting and provide proof of their authorization. The registration and proof of authorization must reach the Company at the address specified in the invitation to the meeting within the legal time period. Either the Management Board or – if the invitation is made by the Supervisory Board – the Supervisory Board is authorized to define in the invitation a shortened deadline measured in number of days for the respective registration and proof of authorization.

(2) Separate confirmation of the shareholding issued in text form by the depository bank is sufficient for the proof of authorization required under paragraph 1. The confirmation of the shareholding must relate to the point in time specified in the German Stock Corporation Act.

If the correctness of the authenticity of the proof of authorization is in doubt, the Company is entitled to demand further suitable evidence. If this, too, is in doubt, the Company may refuse the authorization of the shareholder to participate or vote in the General Meeting. The registration and proof of authorization must be in German or English.

Section 18

Voting Rights, Appointment of a Proxy

(1) Every no-par value share is entitled to one vote.

(2) The voting right may be exercised by a proxy. Notice of the appointment of a proxy, its revocation and proof of the appointment must be provided to the Company in text form. The details for the granting of a power of proxy, its revocation and the proof of the appointment to be provided to the Company will be contained in the notice of the General Meeting which may also define a simplified method. Section 135 AktG [German Stock Corporation Act] shall remain unaffected. Powers of proxy may also be communicated to the Company via an electronic medium to be defined by the Management Board.

(3) The Management Board is authorized to make provision for shareholders to participate in the General Meeting without actually attending the venue and without granting powers of proxy, and to exercise their voting rights in part or in full via electronic means (online participation). The Management Board may define individual rules concerning the scope and method of online participation.

(4) The Management Board is authorized to make provision for shareholders to cast their votes without participating in the General Meeting through written or electronic communication (absentee voting). It can determine the specifics of the absentee voting process.

Section 19

Chair of the General Meeting

(1) The General Meeting shall be chaired by the Chairman of the Supervisory Board or by another member of the Supervisory Board designated by him or her. If the Chairman of the Supervisory Board does not assume the chair at the General Meeting and has not designated another member of the Supervisory Board to be his substitute, then the Chairman of the General Meeting shall be elected by the Supervisory Board. Candidates may also be persons who are neither shareholders, members of the Supervisory Board, nor persons that are related to the Company in any other way.

(2) The Chairman shall preside over the meeting and establish the order in which the agenda items are to be addressed and the method of voting.

(3) The Chairman of the General Meeting is authorized to permit the video and audio transmission of all or part of the General Meeting in any form he or she defines. The transmission may also be made in a form to which the public has unlimited access.

(4) The Chairman of the General Meeting determines the order of speakers and the consideration of the items on the agenda; he or she may also, to the extent permitted by law, decide on the bundling of factually related resolution proposals into a single voting item, establish reasonable limits on the time taken by the shareholders to speak and pose questions for the entire duration of the General Meeting, for individual agenda items and for individual speakers at the start of or during the course of the General Meeting as well as determine the close of debate as needed for the orderly conduct of the General Meeting.

Section 20

Resolutions of the General Meeting

(1) To the extent not otherwise required by mandatory provisions of law, resolutions of the General Meeting shall be passed by a simple majority of the votes cast and, where a capital majority is required, by a simple majority of the share capital represented when the vote is taken.

(2) Elections of Supervisory Board members shall be passed by a simple majority of votes. If in elections with two or more candidates no candidate obtains an absolute majority in the first ballot, another ballot is held between the two candidates who received the most votes. In the second ballot, the relative majority of votes is sufficient. In the event of a tie in the second ballot, the lot drawn by the Chair of the General Meeting shall be decisive.

VI.

Annual Financial Statements

Section 21

Annual Financial Statements and Appropriation of Profits

(1) The Management Board shall prepare the annual financial statements and management report for the preceding fiscal year within the first three months of the fiscal year and shall submit them to the auditor.

(2) Immediately upon receiving the audit report, the Management Board must present the annual financial statements, the management report and the audit report, as well as its proposal to the General Meeting of the appropriation of profits, to the Supervisory Board.

(3) The Management Board and the Supervisory Board shall be authorized, when approving the annual financial statements, to allocate the net profit remaining after deduction

of the amounts to be allocated to the legal reserve and any loss carry-forward, in part or in full to "other earnings reserves", provided that such other earnings reserves would not exceed one-half of the share capital following such allocation.

(4) In the event of a capital increase, the profit sharing of the new shares does not need to conform with Section 60 para. 2 sentence 3 of the German Stock Corporation Act.

(5) At the end of a fiscal year, the Management Board may—with the approval of the Supervisory Board—distribute an interim dividend to the shareholders pursuant to the provisions of Section 59 German Stock Corporation Act.

VII.

Final Provisions

The Company shall bear the costs of conversion into the legal form of a stock corporation up to the sum of DM 150,000.00.

Exhibit 2

DESCRIPTION OF SECURITIES

The following description of the capital stock of MorphoSys AG ("us," "our," "we" or the "Company") is a summary of the rights of our ordinary shares and certain provisions of our articles of association in effect as of March 18, 2020. This summary does not purport to be complete and is qualified in its entirety by the provisions of our articles of association previously filed with the Securities and Exchange Commission and incorporated by reference as an exhibit to the Annual Report on Form 20-F of which this Exhibit 2 is a part, as well as to the applicable provisions of German legislation on stock corporations. We encourage you to read our articles of association and applicable German legislation on stock corporations carefully.

Share Capital

As of March 18, 2020, our registered share capital consists of 32,865,399 ordinary shares outstanding, no par value.

Ordinary Shares

Authorized Capital 2017-I. The management board, with the consent of the supervisory board, is – amongst other authorizations—authorized, until and including April 30, 2022, to increase the registered share capital of MorphoSys AG by up to €2,008,536.00 by issuing up to 2,008,536 new ordinary bearer shares with no par value of MorphoSys AG, against contribution in cash. Our shareholders are principally entitled to subscription rights. The shares may also be subscribed to by one or several credit institutions with the obligation to offer the shares to shareholders for subscription. With the supervisory board's consent, the management board is, however, until and including April 30, 2022, authorized to exclude the subscription rights of shareholders in the following cases:

- to the extent such exclusion is necessary to avoid fractional shares; or
- if the issue price of the new shares is not significantly below the market price of shares of the same class already listed and the total number of shares issued pursuant to or based on the analogous application of Section 186 Para. 3, sentence 4 German Stock Corporation Act in return for cash contributions and for which the shareholders' subscription right is excluded while the authorization is in effect does not exceed 10% of the share capital, specifically neither on the effective date of this authorization nor at the time this authorization is exercised.

The total number of shares to be issued via capital increases against contribution in cash, excluding subscription rights and based on the authorizations mentioned above shall not exceed 20% of the share capital when calculated based on the authorizations' effective date or exercise, whichever amount is lower. This 20% limit mentioned above shall take into account (i) treasury shares sold with the exclusion of subscription rights after the effective date of these authorizations (unless they service the entitlements of members of the management board and/or employees under employee participation programs); (ii) shares to be issued with the exclusion of subscription rights during the effective period of these authorizations from other authorized capital existing on the effective date of these authorizations or to be resolved by the same shareholders' meeting resolving these authorizations; and (iii) shares to be issued during the effective period of these authorizations to service bonds with conversion or warrant rights, whose authorization basis exists on the effective date of these authorizations, to the extent the bonds with conversion or warrant rights were issued with the exclusion of shareholders' subscription rights (unless they service the entitlements of members of the management board and/or employees under employee participation programs).

Dividend Rights. Under German law, distributions of dividends on shares for a given fiscal year are generally determined by a process in which the management board and supervisory board submit a proposal to our annual general shareholders' meeting held in the subsequent fiscal year and such annual general shareholders' meeting adopts a resolution.
German law provides that a resolution concerning dividends and distribution thereof may be adopted only if the company's unconsolidated financial statements prepared in accordance with German law show net retained profits.

In determining the profit available for distribution, the result for the relevant year must be adjusted for profits and losses brought forward from the previous year and for withdrawals from or transfers to reserves. Certain reserves are required by law and must be deducted when calculating the profit available for distribution.

Shareholders participate in profit distributions in proportion to the number of shares they hold. Dividends on shares resolved by the general shareholders' meeting are paid annually, shortly after the general shareholders' meeting and, in compliance with the rules of the respective clearing system. Dividend payment claims are subject to a three-year statute of limitation in the company's favor.

Liquidation Rights. Apart from liquidation as a result of insolvency proceedings, we may be liquidated only with a vote of the holders of at least three-quarters of the share capital represented at the shareholders' meeting at which such a vote is taken. If we are liquidated, any assets remaining after all of our liabilities have been paid off would be distributed among our shareholders in proportion to their holdings in accordance with German statutory law. The German Stock Corporation Act provides certain protections for creditors which must be observed in the event of liquidation.

Form, Certification and Transferability of the Shares. The form and contents of our global share certificates, any dividend certificates, renewal certificates and interest coupons are determined by our management board with the approval of our supervisory board. A shareholder's right to certificated shares is excluded, to the extent permitted by law and to the extent that certification is not required by the stock exchange on which the shares are admitted to trading. We are permitted to issue global share certificates that represent one or more shares.

All of our outstanding shares are no par-value bearer shares (*auf den Inhaber lautende Stückaktien ohne Nennbetrag*). Any resolution regarding a capital increase may determine the profit participation of the new shares resulting from such capital increase.

Our shares are freely transferable under German law, with the transfer of ownership governed by the rules of the relevant clearing system.

Our articles of association do not include any provisions that would have a direct effect of delaying, deferring or preventing a change of control. However, in the event of a hostile takeover, we could use our authorized capital to increase our share capital to issue new shares to an investor at a premium. An increase in the number of shares outstanding could have a negative effect on a party's ability to carry out a hostile takeover.

Shareholders' Meetings, Resolutions and Voting Rights. Pursuant to our articles of association, shareholders' meetings may be held at our registered offices or at the registered seat of a German stock exchange. In general, shareholders' meetings are convened by our management board. The supervisory board is additionally required to convene a shareholders' meeting in cases where this is required under binding statutory law (*i.e.*, if this is in the best interest of our company). In addition, shareholders who, individually or as a group, own at least 5% of our share capital may request that our management board convenes a shareholders' meeting. If our management board does not convene a shareholders' meeting upon such a request, the shareholders may petition the competent German court for authorization to convene a shareholders' meeting.

Pursuant to our articles of association, the convening notice for a shareholders' meeting must be made public at least 36 days prior to the meeting. Shareholders who, individually or as a group, own at least 5% or €500,000 of our share capital may require that additional items be added to the agenda of the shareholders' meeting. For each new item, an explanation of the requested change must be provided or a voting proposal (*Beschlussvorlage*). Any request for an amendment of the agenda of the shareholders' meeting must be received by the Company within 30 days prior to the meeting. The Company must publish any requests for the amendment of the agenda of the shareholders' meeting immediately. Under German law, our annual general shareholders' meeting must take place within the first eight months of each fiscal year. Among other things, the general shareholders' meeting is required to decide on the following issues:

- appropriation and use of annual net income;
- discharge or ratification of the actions taken by the members of our management board and our supervisory board;
- the appointment of our statutory auditors;
- increases or decreases in our share capital;

- the election of supervisory board members; and
- to the extent legally required, the approval of our financial statements.

Each ordinary share grants one vote in a shareholders' meeting. Voting rights may be exercised by authorized proxies, which may be appointed by the Company (*Stimmrechtsvertreter*). The granting of a power of attorney must be made in text form. Generally, the shareholder or an authorized proxy must be present at the shareholders' meeting to cast a vote. However, under the Company's articles of association, the management board may determine in the invitation to the shareholders' meeting that shareholders may submit their votes in writing or by means of electronic communication without attending the shareholders' meeting in person.

Our articles of association provide that the resolutions of the shareholders' meeting are adopted by a simple majority of the votes cast to the extent mandatory law does not provide for differently.

Neither German law nor our articles of association provide for a minimum participation for a quorum for our shareholders' meetings.

Under German law, certain resolutions of fundamental importance require the vote of at least three-quarters of the share capital present or represented in the voting at the time of adoption of the resolution. Resolutions of fundamental importance include, in particular, capital increases with exclusion of subscription rights, capital decreases, the creation of authorized or conditional share capital, the dissolution of a company, a merger into or with another company, split-offs and split-ups, the conclusion of inter-company agreements (*Unternehmensverträge*) as defined in the German Stock Corporation Act (in particular domination agreements (*Beherrschungsverträge*) and profit and loss transfer agreements (*Ergebnisabführungsverträge*)), and a change of the legal form of a company.

Authorization to Acquire Our Own Shares. We may not acquire our own shares unless authorized by the shareholders' meeting or in other very limited circumstances as set out in the German Stock Corporation Act. Shareholders may not grant a share repurchase authorization lasting for more than five years. The German Stock Corporation Act generally limits repurchases to 10% of our share capital and resales must generally be made either on a stock exchange, in a manner that treats all shareholders equally, or in accordance with the rules that apply to subscription rights relating to a capital increase.

Squeeze-Out of Minority Shareholders. Under German law, the shareholders' meeting of a stock corporation may resolve upon request of a shareholder that holds at least 95% of the share capital that the shares held by any remaining minority shareholders be transferred to this shareholder against payment of "adequate cash compensation" (*Ausschluss von Minderheitsaktionären*). This amount must take into account the full value of the company at the time of the resolution, which is generally determined using the future earnings value method (*Ertragswertmethode*).

A squeeze-out in the context of a merger (*umwandlungsrechtlicher Squeeze-Out*) only requires a majority shareholder to hold at least 90% of the share capital. A squeeze-out following a successful public takeover offer (*übernahmerechtlicher Squeeze-Out*) requires – among others – a majority shareholder to hold at least 95%. .

Disclosure Requirements for Shareholdings and Mandatory Offer. The German Securities Trading Act (*Wertpapierhandelsgesetz*) requires every shareholder whose equity participation in a company with a registered seat in Germany, and that is listed for trading on an organized market in a member state of the European Union or a country that is a party to the Treaty on the European Economic Area, reaches, exceeds, or falls below thresholds of 3%, 5%, 10%, 25%, 30%, 50%, or 75% of the voting rights of such company to inform the company and the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, or "BaFin") without undue delay and, in any case, no later than four trading days after reaching, exceeding or falling below these thresholds, using a standardized form. In the context of this requirement, the German Securities Trading Act and other regulations contain various rules that are meant to ensure that share ownership is attributed to the person that actually controls the voting rights pertaining to such shares. As long as a shareholder fails to make such notification, such shareholder may generally not exercise any rights pertaining to these shares (including voting rights and dividend rights). Upon receipt of any such shareholder notification, the German company is required to immediately publish the notification by a so-called European media bundle.

In addition, the European Market Abuse Regulation requires, inter alia, the members of the management board and the supervisory board, their spouses and close relatives, who purchase or sell shares, or other types of securities representing the right to acquire shares, including convertible bonds and bonds with warrants attached, issued by a company whose shares have been admitted to trading on a German stock exchange in excess of a *de minimis* number, to immediately notify the issuer and the BaFin of such purchases or sales. Upon receipt of such notice, the issuer is required to publish this notification by, among other things, posting it on its website.

Pursuant to the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), every person or entity gaining control over a listed company, that is whose shares of voting rights reach or exceed 30% of the voting rights in such company, is obliged to publish this fact, including the percentage of its voting rights, immediately but within seven calendar days latest by (i) publication on the internet and (ii) through electronic media for disseminating financial information. Furthermore, this person has to submit a mandatory public takeover offer to all shareholders of the company unless an exemption from this obligation has been granted by the BaFin. If the respective shareholder fails to publish the mandatory notice, this shareholder is obliged to pay interests for the consideration owed to the other shareholders for the duration of the delinquency. In addition, the respective shareholder has to submit an offer document for a public takeover bid to the BaFin within four weeks after the publishing of gaining control which is also to be published (i) on the internet and (ii) as an announcement in the German Federal Gazette.

Management Board

Composition. The Management Board shall consist of at least two members. The number of members of the Management Board shall otherwise be determined by the Supervisory Board. The Supervisory Board may appoint one member of the Management Board to be Chairman and one or more members of the Board of Management to be Vice Chairman of the Management Board.

Company Management and Representation

1) The members of the Management Board are required to manage the business affairs of the Company on the basis of applicable laws, the Articles of Association and the Management Board's rules of procedure. The Management Board shall unanimously adopt rules of procedure and undertakes the allocation of responsibilities if the Supervisory Board has not adopted rules of procedure for the Management Board.

2) The Company is represented by two members of the Management Board or by one member of the Management Board acting jointly with a Prokurist (authorized signatory with full power of representation). The Supervisory Board may grant individual members of the Management Board authorization to represent the Company individually and may revoke such authorization.

3) The Supervisory Board may exempt one or more members of the Management Board from the prohibition on multiple representation in Section 181 of the BGB [German Civil Code] and that is without consideration of whether the Company is monistic or dualistic and likewise in the event the Company becomes a dualistic or monistic company.

Supervisory Board

1) The Supervisory Board shall consist of seven members who are elected by the shareholders based on the provisions of the German Stock Corporation Act.

2) The members of the Supervisory Board shall be elected for a term extending at most to the end of the General Meeting that resolves about ratification of the actions of the Supervisory Board in the fourth fiscal year after commencement of their terms of office. The fiscal year in which the terms of office begin shall not be counted for such purposes. The General Meeting may determine a shorter term of office.

3) Any member of the Supervisory Board, and every substitute member, may resign his or her office by means of a written declaration to be submitted to the Chairman of the Supervisory Board or to the Management Board on one month's notice. Resignation may be effective immediately for good cause. 4) In the event a member of the Supervisory Board elected by the General Meeting leaves the Supervisory Board prior to the expiration of his or her term of office, election for a replacement shall be held at the next General Meeting.

5) The General Meeting may appoint substitute members for those members of the Supervisory Board it elects who shall become members of the Supervisory Board in the order laid down when the election takes place in the event members of the Supervisory Board leave prior to the expiration of their respective term of office. The term of office of a substitute member of the Supervisory Board ends upon the conclusion of the General Meeting at which an election pursuant to the terms of the preceding paragraph (4) is held.

American Depository Shares

The Bank of New York Mellon, as depositary, registers and delivers American Depository Shares, or ADSs. Each ADS represents one-quarter (1/4) of a deposited share with The Bank of New York Mellon SA/N.V., as custodian for the depositary in Frankfurt. Each ADS also represents any other securities, cash or other property which may be held by the depositary. The depositary's office at which the ADSs will be administered is located at 101 Barclay Street, New York, New York 10286. The Bank of New York Mellon's principal executive office is located at 225 Liberty Street, New York, New York 10286.

A deposit agreement among us, the depositary and the ADS holders sets out the ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs. A copy of the deposit agreement is incorporated by reference as an exhibit to this annual report.

Fees and Expenses

Persons depositing or withdrawing shares or ADS holders must pay:	*For:*
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
	Cancelation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
$.05 (or less) per ADS	Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders
$.05 (or less) per ADS per calendar year	Depositary services
Registration or transfer fees	Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	Cable and facsimile transmissions (when expressly provided in the deposit agreement) Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing ordinary shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions.

The depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the depositary's obligations under the deposit agreement. The methodology used to determine exchange rates used in currency conversions is available upon request.

Dividends and Other Distributions. The depositary has agreed to pay or distribute to ADS holders the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities, upon payment or deduction of its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent.

Cash. The depositary will convert any cash dividend or other cash distribution we pay on our ordinary shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States and will promptly distribute the amount thus received. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted. See "Taxation". The depositary will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some of the value of the distribution.

Shares. The depositary may distribute additional ADSs representing any ordinary shares we distribute as a dividend or free distribution. The depositary will only distribute whole ADSs. It will sell ordinary shares which would require it to deliver a fraction of an ADS (or ADSs representing those shares) and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares. The depositary may sell a portion of the distributed ordinary shares (or ADSs representing those shares) sufficient to pay its fees and expenses in connection with that distribution.

Rights to purchase additional shares. If we offer holders of our securities any rights to subscribe for additional ordinary shares or any other rights, the depositary may (i) exercise those rights on behalf of ADS holders if instructed to do so by the relevant ADS holders, (ii) distribute those rights to ADS holders or (iii) sell those rights and distribute the net proceeds to ADS holders, in each case after deduction or upon payment of its fees and expenses. To the extent the depositary does not do any of those things, it will allow the rights to lapse. In that case, you will receive no value for them. The depositary will exercise or distribute rights only if we ask it to and provide satisfactory assurances to the depositary that it is legal to do so. If the depositary will exercise rights, it will purchase the securities to which the rights relate and distribute those securities or, in the case of shares, new ADSs representing the new shares, to subscribing ADS holders, but only if ADS holders have paid the exercise price to the depositary. U.S. securities laws may restrict the ability of the depositary to distribute rights or ADSs or other securities issued on exercise of rights to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

There can be no assurance that you will be given the opportunity to exercise rights on the same terms and conditions as the holders of our ordinary shares or be able to exercise such rights at all.

Other Distributions. The depositary will send to ADS holders anything else we distribute on deposited securities by any means it thinks is legal, equitable and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution. U.S. securities laws may restrict the ability of the depositary to distribute securities to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.

Deposit, Withdrawal and Cancellation. The depositary will deliver ADSs if you or your broker deposits shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

You may surrender your ADSs for the purpose of withdrawal at the depositary's office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the ordinary shares and any other deposited securities underlying the ADSs to the ADS holder or a person the ADS holder designates at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its office, if feasible. The depositary may charge you a fee and its expenses for instructing the custodian regarding delivery of deposited securities.

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send to the ADS holder a statement confirming that the ADS holder is the registered holder of uncertificated ADSs. Upon receipt by the depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to the ADS holder an ADR evidencing those ADSs.

Voting Rights. ADS holders may instruct the depositary how to vote the number of deposited ordinary shares their ADSs represent at any meeting at which you are entitled to vote pursuant to applicable law and our articles of association. If we request the depositary to solicit your voting instructions (and we are not required to do so), the depositary will notify you of such shareholders' meeting and send or make voting materials available to you. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depositary how to vote. For instructions to be valid, they must reach the depositary by a date set by the depositary. The depositary will try, as far as practical, subject to the laws of Germany and the provisions of our articles of association or similar documents, to vote or to have its agents vote the ordinary shares or other deposited securities as instructed by ADS holders. If we do not request the depositary to solicit your voting instructions, you can still send voting instructions, and, in that case, the depositary may try to vote as you instruct, but it is not required to do so.

Except by instructing the depositary as described above, you won't be able to exercise voting rights unless you surrender your ADSs and withdraw the ordinary shares. However, you may not know about the meeting enough in advance to withdraw the ordinary shares. In any event, the depositary will not exercise any discretion in voting deposited securities and it will only vote or attempt to vote as instructed.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your ordinary shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise voting rights and there may be nothing you can do if your ordinary shares are not voted as you requested.

In order to give you a reasonable opportunity to instruct the depositary as to the exercise of voting rights relating to Deposited Securities, if we request the Depositary to act, we agree to give the depositary notice of any such meeting and details concerning the matters to be voted upon at least 45 days in advance of the meeting date.

Payment of Taxes. You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until those taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your American Depositary Shares to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

Tender and Exchange Offers; Redemption, Replacement or Cancellation of Deposited Securities. The depositary will not tender deposited securities in any voluntary tender or exchange offer unless instructed to do by an ADS holder surrendering ADSs and subject to any conditions or procedures the depositary may establish.

If deposited securities are redeemed for cash in a transaction that is mandatory for the depositary as a holder of deposited securities, the depositary will call for surrender of a corresponding number of ADSs and distribute the net redemption money to the holders of called ADSs upon surrender of those ADSs.

If there is any change in the deposited securities such as a subdivision, combination or other reclassification, or any merger, consolidation, recapitalization or reorganization affecting the issuer of deposited securities in which the depositary receives new securities in exchange for or in lieu of the old deposited securities, the depositary will hold those replacement securities as deposited securities under the deposit agreement. However, if the depositary decides it would not be lawful and to hold the replacement securities because those securities could not be distributed to ADS holders or for any other reason, the depositary may instead sell the replacement securities and distribute the net proceeds upon surrender of the ADSs.

If there is a replacement of the deposited securities and the depositary will continue to hold the replacement securities, the depositary may distribute new ADSs representing the new deposited securities or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

If there are no deposited securities underlying ADSs, including if the deposited securities are cancelled, or if the deposited securities underlying ADSs have become apparently worthless, the depositary may call for surrender or of those ADSs or cancel those ADSs upon notice to the ADS holders.

Amendment and Termination. We may agree with the depositary to amend the deposit agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.

The depositary will initiate termination of the deposit agreement if we instruct it to do so. The depositary may initiate termination of the deposit agreement if:

- 60 days have passed since the depositary told us it wants to resign but a successor depositary has not been appointed and accepted its appointment;
- we delist our shares from an exchange on which they were listed and do not list the shares on another exchange;

- we appear to be insolvent or enter insolvency proceedings;
- all or substantially all the value of the deposited securities has been distributed either in cash or in the form of securities;
- there are no deposited securities underlying the ADSs or the underlying deposited securities have become apparently worthless; or
- there has been a replacement of deposited securities.

If the deposit agreement will terminate, the depositary will notify ADS holders at least 90 days before the termination date. At any time after the termination date, the depositary may sell the deposited securities. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, unsegregated and without liability for interest, for the pro rata benefit of the ADS holders that have not surrendered their ADSs. Normally, the depositary will sell as soon as practicable after the termination date.

After the termination date and before the depositary sells, ADS holders can still surrender their ADSs and receive delivery of deposited securities, except that the depositary may refuse to accept a surrender for the purpose of withdrawing deposited securities if it would interfere with the selling process. The depositary may refuse to accept a surrender for the purpose of withdrawing sale proceeds until all the deposited securities have been sold. The depositary will continue to collect distributions on deposited securities, but, after the termination date, the depositary is not required to register any transfer of ADSs or distribute any dividends or other distributions on deposited securities to the ADSs holder (until they surrender their ADSs) or give any notices or perform any other duties under the deposit agreement except as described in this paragraph.

Limitations on Obligations and Liability. The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;
- are not liable if we are or it is prevented or delayed by law or by events or circumstances beyond our or its ability to prevent or counteract with reasonable care or effort from performing our or its obligations under the deposit agreement;
- are not liable if we or it exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other person;
- are not liable for the acts or omissions of any securities depository, clearing agency or settlement system; and
- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

Requirements for Depositary Actions. Before the depositary will deliver or register a transfer of ADSs, make a distribution on ADSs, or permit withdrawal of ordinary shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver ADSs or register transfers of ADSs when the transfer books of the depositary or our transfer books are closed or at any time if the depositary or we think it advisable to do so.

Your Right to Receive the Shares Underlying your ADSs. ADS holders have the right to cancel their ADSs and withdraw the underlying ordinary shares at any time except:

- when temporary delays arise because: (i) the depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer ordinary of shares is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our ordinary shares;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Pre-release of ADSs. The deposit agreement permits the depositary to deliver ADSs before deposit of the underlying ordinary shares. This is called a pre-release of the ADSs. The depositary may also deliver shares upon cancellation of pre-released ADSs (even if the ADSs are canceled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying shares are delivered to the depositary. The depositary may receive ADSs instead of shares to close out a pre-release. The depositary may pre-release ADSs only under the following conditions: (1) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depositary in writing that it or its customer owns the shares or ADSs to be deposited; (2) the pre-release is fully collateralized with cash or other collateral that the depositary considers appropriate; (3) the depositary must be able to close out the pre-release on not more than five business days' notice; and (4) subject to all indemnities and credit regulations the depositary deems appropriate. In addition, the depositary will limit the number of ADSs that may be outstanding at any time as a result of pre-release, although the depositary may disregard the limit from time to time if it thinks it is appropriate to do so.

Direct Registration System. In the deposit agreement, all parties to the deposit agreement acknowledge that the Direct Registration System, also referred to as DRS, and Profile Modification System, also referred to as Profile, will apply to the ADSs. DRS is a system administered by DTC that facilitates interchange between registered holding of uncertificated ADSs and holding of security entitlements in ADSs through DTC and a DTC participant. Profile is feature of DRS that allows a DTC participant, claiming to act on behalf of a registered holder of uncertificated ADSs, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not determine whether the DTC participant that is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery as described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on and compliance with instructions received by the depositary through the DRS/Profile system and in accordance with the deposit agreement will not constitute negligence or bad faith on the part of the depositary.

Shareholder Communications; Inspection of Register of Holders of ADSs. The depositary will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depositary will send you copies of those communications or otherwise make those communications available to you if we ask it to. You have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

Frankfurt Stock Exchange Listing

Our Ordinary shares are listed on the Frankfurt Stock Exchange under the trading symbol "MOR."

Nasdaq Global Select Market Listing

Our American Depository Shares are listed on the Nasdaq Global Select Market under the trading symbol "MOR."

Exhibit 4.10

COLLABORATION AND LICENSE AGREEMENT

This collaboration and license agreement ("**Agreement**") is made and entered into effective as of **January 12, 2020** (the "**Execution Date**"), by and between

MorphoSys AG, a German stock corporation having a place of business at Semmelweisstrasse 7, 82152 Planegg, Germany ("**MorphoSys AG**"), and **MorphoSys US Inc**., a Delaware corporation, wholly-owned by MorphoSys AG, having its place of business at 470 Atlantic Avenue, 14th floor. Boston, MA 02210, USA ("**MorphoSys Inc.**"), (both MorphoSys AG and MorphoSys Inc., subject to Section 18.7, "**MorphoSys**")

and

Incyte Corporation, a Delaware corporation with its principal place of business at 1801 Augustine Cut-Off, Wilmington, Delaware 19803, USA ("**COMPANY**").

MorphoSys and COMPANY each may be referred to herein individually as a "**Party**," or collectively as the "**Parties**."

RECITALS

A. MorphoSys has in-licensed from Xencor and further developed a humanized monoclonal antibody specifically binding to the target CD19 called **MOR208** or **tafasitamab** (as further defined herein). MorphoSys controls certain patents and other intellectual property pertaining to MOR208 and methods and uses relating thereto, including its use for the treatment of B cell malignancies and has been performing clinical and manufacturing development of MOR208;

B. MorphoSys and COMPANY desire to establish a global collaboration for the further development and worldwide commercialization of MOR208; and

C. Under such global collaboration COMPANY will have the exclusive commercialization rights outside of the US, and MorphoSys and COMPANY will have co-commercialization rights in the US.

D. In the internal relationship between MorphoSys AG and MorphoSys Inc., both companies have arranged by way of an inter-company agreement their interactions inter alia with regard to this Agreement. Pursuant to this inter-company agreement, either MorphoSys AG and MorphoSys Inc. will perform the obligations and assert rights under this Agreement.

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In consideration of the foregoing premises, the mutual promises and covenants set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, MorphoSys and COMPANY hereby agree as follows:

1. DEFINITIONS

When used in this Agreement, capitalized terms shall have the meanings as defined below and throughout the Agreement. Unless the context indicates otherwise, the singular shall include the plural and the plural shall include the singular.

1.1 "**ADCC**" means antibody-dependent cell-mediated cytotoxicity, which is an immune response, in which an Antibody coats a target-bearing cell and engages Fc receptors on immune effector cells and thereby activates the immune effector cells to lyse the target-bearing cells. For clarity, this is not restricted to effects mediated by natural killer cells, but includes e.g., other effector cells as well.

1.2 "**Affiliate**" means with respect to a Party, any entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such Party. For this purpose, "control" means the ownership of fifty percent (50%) or more of the voting securities entitled to elect the directors or management of the entity, or the actual power to elect or direct the management or policies of the entity, whether by law, contract or otherwise.

1.3 "**ALL**" means acute lymphoblastic leukemia (including any line of treatment, including first line, second line and third line, and including relapsed/refractory forms). For clarity, any of the above forms or lines of therapy to treat acute lymphoblastic leukemia can achieve the milestone events as set out in Section 8.2.

1.4 "**Antibody**" means whether in nucleic acid or protein form, individually and collectively, any antibody, whether naturally occurring, artificially produced, raised in an artificial system, designed de novo, or created through modification of another antibody or otherwise; any fragment or fusion of any of the foregoing; and any chemically modified versions of the foregoing antibodies (including versions that are conjugated with another chemical entity, such as a drug or toxin; pegylated versions (regardless of whether containing amino acid substitutions in order to achieve pegylation or otherwise modified versions to enable half-life extension or other desirable properties), including versions that are chemically or genetically fused to another molecular entity, such as multispecific antibodies, and cytokine fusions; and other chemically or biologically modified versions).

1.5 "**Approval**" means, for the purpose of Section 8.2 only, with respect to any Regulatory Approval, a final or a conditional approval or an approval under exceptional circumstances of a MAA.

1.6 "**Autoimmune Indication**" means the treatment or prophylaxis of any autoimmune disease or condition (i.e. any disease or condition that is caused by dis-or de-regulation of the immune system leading to tissue injury by a reaction to an endogenous antigen but that is not primarily a malignant neoplasia).

1.7 [***]

1.8 [***]

1.9 [***]

1.10 "**BLA**" means a Biologic License Application (as defined in the US Federal Food, Drug and Cosmetics Act and the regulations promulgated thereunder (21 C.F.R. §§ 600-680) in the US, submitted to the FDA that must be approved prior to importing, marketing and selling a biological product.

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1.11 "**Breaching Party**" has the meaning described in Section 17.2(a).

1.12 "**Broader Anti-CD19 Patents**" means the Xencor Background Patents listed in **EXHIBIT 3A**.

1.13 "**Business Day**" means any day other than **(i)** Saturday or Sunday or **(ii)** any other day on which banks in Munich, Germany, Geneva, Switzerland or New York, New York in the US, are permitted or required to be closed.

1.14 "**Buy-In Party**" has the meaning described in Section 7.6(b).

1.15 "**Candidate-Specific Patents**" means the Xencor Background Patents listed in **EXHIBIT 3B**.

1.16 "**CDC**" means complement-dependent cytotoxicity.

1.17 "**CDR**" means a complementarity determining region of an antibody.

1.18 "**CD19**" means CD19 (Cluster of Differentiation 19) protein, which includes human and other species homologues.

1.19 "**CFR**" means the Code of Federal Regulations (i.e. the codification of the general and permanent rules published in the Federal Register) published by the Federal Government of the United States of America.

1.20 "**Change of Control**" means with respect to a Party: **(i)** the sale of all or substantially all of such Party's assets or business relating to this Agreement; **(ii)** a merger, reorganization or consolidation involving such Party in which the voting securities of such Party outstanding immediately prior thereto cease to represent at least fifty percent (50%) of the combined voting power of the surviving entity as a consequence of such merger, reorganization or consolidation; or **(iii)** a person or entity, or group of persons or entities, acting in concert (other than financial investment groups that do not have as a primary business the development and/or commercialization of pharmaceutical products or companion diagnostics) acquire more than fifty percent (50%) of the voting equity securities or management control of such Party.

1.21 "**Clearance**" means with respect to this Agreement, the expiration or termination of all applicable waiting periods and requests for information (and any extensions thereof) under the HSR Act and any other antitrust laws and regulations applicable to this Agreement.

1.22 "**CLL**" means Chronic Lymphocytic Leukaemia (including any line of treatment, including first line, second line and third line, and including relapsed/refractory forms). For clarity, any of the above forms or lines of therapy to treat Chronic Lymphocytic Leukaemia can achieve the milestone events as set out in Section 8.2.

1.23 "**Co-Commercialization**" means the joint performance of the Commercialization activities and Medical Affairs Activities by the Parties with respect to the Licensed Antibody(ies) or Product(s) in the Co-Commercialization Territory, as further detailed in Section 5.3.

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1.24 "**Co-Commercialization Budget**" means the annual budget for the Co-Commercialization, agreed upon by the Parties through the JCC and approved by the JSC, which budget may be amended and/or supplemented from time to time by consensual agreement of the JCC and approval by the JSC and shall cover at least the upcoming [***] months at all times. An initial outline of the Co-Commercialization Budget is attached hereto as **EXHIBIT 15**.

1.25 "**Co-Commercialization Costs**" means [***] incurred by the Parties in support of Co-Commercialization of Product(s) in the Co-Commercialization Territory in accordance with the Co-Commercialization Budget [***].

1.26 "**Co-Commercialization Plan**" means the plan for the Co-Commercialization activities, agreed upon by the Parties through the JCC and approved by the JSC, which plan may be amended and/or supplemented from time to time by consensual agreement of the JCC and approval by the JSC and shall cover at least the upcoming [***] months at all times. An initial outline of the Co-Commercialization Plan is attached hereto as **EXHIBIT 14**.

1.27 "**Co-Commercialization Territory**" means the US.

1.28 "**Combination Product**" means **(i)** any Product which contains one or more active ingredients in addition to any of the Licensed Antibody and **(ii)** any product package which includes one or more additional tools or products (which are not Products) in addition to a Product. For clarity, a bi-specific or multi-specific Antibody shall not be regarded as a Combination Product in the absence of any additional clinically active component other than the bi-specific Licensed Antibody or multi-specific Licensed Antibody, respectively. For further clarity, the Parties acknowledge that a Product comprising any Licensed Antibody that is conjugated or otherwise bound to a toxin or any other clinically active component shall not be regarded as a Combination Product in the absence of any clinically active component other than the Licensed Antibody or the clinically active component to which the Licensed Antibody is conjugated.

1.29 "**Commercial FTE Rate**" means, with respect to FTE costs,[***] US Dollars (USD [***]) per year for Co-Commercialization-related FTEs. [***].

1.30 "**Commercial Manufacturing Costs**" means the costs and expenses incurred [***].

1.31 "**Commercialize**" or "**Commercialization**" means all activities directed to the Pre-Launch, launch, market access, patient support, booking sales, named patients programs, compassionate use programs, marketing, promotion, advertising, Detailing, selling and Distribution of a Product in a country or region, including planning, forecasting, market research, market insight, importing, exporting, and post-marketing safety surveillance and reporting and Pricing Activities, including US Government Price Calculations and Reporting obligations. For clarity, "Commercialization" shall not include any activities covering Manufacturing or Development or Regulatory Activities.

1.32 "**Commercialization Costs**" means the costs and expenses incurred by a Party [***]the Commercialization of the Product [***].

1.33 "**Commercially Reasonable Efforts**" means [***].

1.34 "**COMPANY Annual Development Report**" means, for each calendar year, the written report that describes COMPANY's past and planned Development activities for Licensed Antibody or Product in the Field for that year, and covers other subject matter as called for in Section 3.14(a).

CONFIDENTIAL

1.35 COMPANY Commercialization Plan" means the plan for the Commercialization activities conducted by the COMPANY in the COMPANY Territory and discussed by the Parties through the JCC and JSC, which plan shall cover at least the upcoming [***] months at all times and be in line with the overall strategic Product positioning, branding, core messaging, and overall medical congress strategy and global medical education strategy with respect to the global Commercialization in the Territory.

1.36 "**COMPANY Discretionary Manufacturing Activities**" means those activities, which are related to the transfer, developing and implementing of the Manufacturing process for the Manufacturing of Products from [***] to a COMPANY manufacturing site or a Third Party manufacturing site, as initiated by COMPANY, including activities like technology transfer, development of test methods, stability testing, formulation development, process development, quality assurance activities, quality control activities, qualification and validation activities, analytic process development, manufacturing process validation, scale-up, and all other activities, including CMC-related activities and including activities to obtain Regulatory Approval.

1.37 "**COMPANY Discretionary Manufacturing Activity Costs**" means the costs and expenses incurred by a Party [***] COMPANY Discretionary Manufacturing Activities. [***]

1.38 "**COMPANY Foreground Patents**" means any Patent claiming a COMPANY Invention.

1.39 "**COMPANY Funded Development Activities**" means **(i)** Development activities of COMPANY or its Affiliates (or Sublicensee(s) or subcontractor(s)) in the Field that are **NOT** directly attributable to, or reasonably allocable to the performance of a Global Trial or a MorphoSys Trial, including any Trial that is solely designed or required to obtain and maintain Regulatory Approval in a certain jurisdiction of the COMPANY Territory, **(ii)** COMPANY Discretionary Manufacturing Activities, **(iii)** activities related to changes in the Manufacturing process and the Regulatory Materials that are requested solely by a Regulatory Authority within the COMPANY Territory, and **(iv)** Independent Trials-related activities performed by or on behalf of COMPANY or its Affiliates (or Sublicensee(s) or subcontractor(s)) in the Field.

1.40 "**COMPANY Invention**" means an Invention that is conceived solely by employees of COMPANY or Sublicensee or any of their respective Affiliates, or by employees of a Third Party under an obligation of assignment to COMPANY or an Affiliate or Sublicensee of COMPANY.

1.41 "**COMPANY Know-How**" means all Know-How that COMPANY or its Affiliate Controls during the Term that relates to any Product, Licensed Antibody or a method of Developing, Manufacturing, using (including methods of administration and dosing regimens) or testing of (or in the case of testing, of or for the presence of) any of the foregoing (or any article necessary or useful to practice or use (including those present during the practice or use of) any such Product, Licensed Antibody or method.

1.42 "**COMPANY Territory**" means the whole world except the Co-Commercialization Territory.

1.43 "**COMPANY Trial**" means [***].

CONFIDENTIAL

1.44 "**Competing Product**" means any **(i)** [***].

1.45 "**Confidential Information**" has the meaning set forth in Section 16.1.

1.46 "**Controlled**" or "**Control**" means, with respect to any Know-How, Patent, Invention or other intellectual property right, possession (by means of ownership or license) by a Party, directly or through an Affiliate (other than pursuant to this Agreement), where the Party has the right to grant a license or sublicense as provided for in this Agreement. Any Patent, Know-How or other intellectual property right that is licensed or acquired by a Party following the Execution Date and that would otherwise be considered to be under the Control of a Party shall not be deemed to be under the Control of such Party if the application of such definition in the context of any licenses or sublicenses granted to the other Party under this Agreement would require the granting Party to make any additional payments or royalties to a Third Party in connection with such license or sublicense grants, unless the other Party agrees to pay the additional payments or royalties to the Third Party.

1.47 "**Cover**" means, with respect to a particular item and a particular Patent, that such Patent claims (as opposed to merely disclosing) directly or indirectly: **(a)** the composition of such item, any of its ingredients or formulations or any product containing or that is made using such item (by virtue of such product containing or being made using such item); **(b)** a method of making or using any of the foregoing things referred to in (a); and/or **(c)** an item used or present in the manufacture of any of the foregoing things referred to in (a) (for example, with respect to a biologic, any vector, plasmid or cell line used to manufacture such product or item or any ingredient in either of them), in each case of (a), (b) and (c) that provides market exclusivity for the Product.

1.48 "**Cure Period**" has the meaning set forth in Section 17.2(a).

1.49 "**Data Protection Laws**" means all data protection and privacy legislation in force from time to time including but not limited to the EU General Data Protection Regulation 2016/679, as nationally implemented and supplemented in the countries of the European Region, the Health Insurance Portability and Accountability Act of 1996, and any other federal, state or national legislation relating to Personal Data and privacy, which is applicable to a Party relating to the processing of Personal Data.

1.50 "**Data Room**" means the virtual data room designated [***] hosted by [***] under [***] which was prepared by MorphoSys and was available to COMPANY from, [***] in its latest version of that later date.

1.51 "**Designated JDC Officers**" has the meaning set forth in Section 9.5(e).

1.52 "**Detail**" or "**Detailing**" means an interactive face-to-face visit by a Sales Representative with a Healthcare Professional or healthcare provider having prescribing authority and who is within the target audience, during which approved uses, safety, effectiveness, contraindications, side effects, warnings, or other relevant characteristics of a pharmaceutical or biological product are discussed in an effort to increase prescribing preferences of a pharmaceutical or biological product for its approved uses. Details shall not include: **(a)** activities conducted by medical support staff; or **(b)** e-details, activities conducted at conventions or similar gatherings, or activities performed by market development specialists, managed care account directors, and other personnel not performing face-to-face sales calls or not specifically trained with respect to a pharmaceutical or biological product.

CONFIDENTIAL

1.53 "**Detailing Costs**" means [***]

1.54 "**Develop**" or "**Development**" means all activities covering research, non-clinical, preclinical and Trials (including Trial recruitment and Trial site engagement), toxicology testing, companion diagnostics development, statistical analysis and reporting, all the aforementioned regarding the Licensed Antibody and/or the Product in any country or jurisdiction in the world in the Field and being necessary or reasonably useful or requested or required by a Regulatory Authority or as a condition or in support of obtaining or maintaining any or all Regulatory Approvals for the Licensed Antibody and/or Product in any country or jurisdiction in the world in the Field. For clarity, "Develop" and "Development" shall include Post-Marketing Authorization Trials that are required by or committed to Regulatory Authorities but shall not include any activities covering Commercialization or Manufacture or other Regulatory Activities.

1.55 "**Development Activities**" means activities by or on behalf of the Parties or their Affiliates (or their Sublicensee(s) or subcontractor(s)) with respect to the Development of the Licensed Antibody or Product in the Field, which are **(i)** Joint Development Activities or **(ii)** Sole Funded Development Activities.

1.56 "**Development Costs**" means [***] Development Costs shall exclude Commercialization Costs, Medical Affairs Activities Costs and Regulatory Costs. [***]

1.57 "**Development Data**" means all non-clinical, clinical, technical, biochemical, safety, and scientific data and information and other results, including relevant laboratory notebook information, screening data, Regulatory Data and synthesis schemes, including descriptions in any form, data and other information, including GMP and GDP-related quality information, generated by or resulting from or in connection with the conduct of Joint Development Activities ("**Joint Development Data**") or in connection with the conduct of any Sole Funded Development Activity ("**Sole Funded Development Data**").

1.58 "**Development FTE Rate**" means, with respect to FTE costs, [***] US Dollars (USD [***]) per year for Development, Manufacture, and Regulatory Activities-related FTEs. [***]

1.59 "**Development Plan**" means the plan for the Development of the Product in the Field in the Territory agreed upon by the Parties through the JDC and approved by the JSC, which plan may be amended and/or supplemented from time to time by consensual agreement of the JDC and approval by the JSC and shall cover at least the upcoming [***] months at all times. An initial outline of the Development Plan is provided in **EXHIBIT 6** ("**Development Plan Outline**").

1.60 "**Disclosing Party**" has the meaning set forth in Section 16.1.

1.61 "**Disclosure Schedule**" has the meaning set forth in Section 13.2.

1.62 "**Dispute**" has the meaning set forth in Section18.3(a).

1.63 "**Distribution**" means all activities with respect to the Product covering the **(a)** handling, storage and transportation to fulfil orders; and **(b)** interactions with wholesalers, specialty pharmacies, distributors and group purchasing organizations.

1.64 "**Distribute**" shall have the correlative meaning.

CONFIDENTIAL

1.65 "**Distributor**" means, for the purposes of the [***] definition and Net Sales definition, any Third Party that is not granted a sublicense hereunder, but that **(a)** has been granted the right to Distribute or resell any quantities of Product, which quantities are provided by a Party or its Affiliates or its Sublicensee(s); **(b)** pays the Party or its Affiliate or its Sublicensee(s) a transfer price and assumes responsibility to resell in its name; and **(c)** does not pay the Party or its Affiliate or its Sublicensee(s) a royalty calculated as a percentage of sales or net sales, and **(d)** does not pay the Party or its Affiliate or its Sublicensee(s) any other consideration in connection with Licensed Antibody or Product.

1.66 "**DLBCL**" means Diffuse Large B Cell Lymphoma (including any line of treatment, including first line, second line and third line, and including relapsed/refractory "**R/R**" forms). For clarity, any of the above forms or lines of therapy to treat Diffuse Large B Cell Lymphoma can achieve the milestone events as set out in Section 8.2.

1.67 "**Drug Product**" means the Product in its final dosage form filled in its designated primary containers (e.g. vials) but not labelled and not packed in the final secondary packaging.

1.68 "**Early Access Program**" means a program that gives patients access to the Product in a certain country or territory prior to Marketing Authorization grant, or where applicable, prior to Pricing Approval, of the Product in such country or territory and outside the framework of a Trial.

1.69 "**Effective Date**" shall mean the first (1st) Business Day following the date on which Clearance occurs.

1.70 "**EMA**" means the European Medicines Agency or any successor agency thereto in the EU.

1.71 "**European Major Market**" means [***].

1.72 "**European Region**" means [***].

1.73 "**European Union**" or "**EU**" means [***].

1.74 "**Execution Date**" shall mean the date set forth in the Introductory Clause of this Agreement.

1.75 "**Existing Product Marks**" means the Product Marks owned by MorphoSys and existing at the Execution Date, which are listed in **EXHIBIT 12**.

1.76 "**External Costs**" means [***] external expenses (including [***]) [***] excluding [***] paid by a Party or its Affiliates to Third Parties for [***] To the extent such services are not attributable solely to Product, then only the respective pro rata amount, which shall be agreed between the Parties in good faith, for Product shall be regarded as External Cost.

1.77 "**FDA**" means the United States Food and Drug Administration or any successor agency thereto in the US.

1.78 "**Field**" means all human and non-human diagnostic, prophylactic, therapeutic and palliative uses.

CONFIDENTIAL

1.79 "**Filing**" means, with respect to any Regulatory Approval, the submission to the respective Regulatory Authority of all necessary Regulatory Materials to apply for such Regulatory Approval.

1.80 "**Finished Drug Product**" means the Drug Product finally labelled and packaged for end-user use, as required for a Trial or for Commercialization, as applicable.

1.81 "**First Commercial Sale**" means, with respect to any Product and country, the first sale of such Product in a country by COMPANY or its Affiliates or Sublicensees to any Third Party (other than a Sublicensee).

1.82 "**First Position Detail**" means a Detail in which the applicable pharmaceutical product is Detailed before any other product and the predominant portion of time is devoted to the Detailing of such pharmaceutical product.

1.83 "**FL**" means follicular lymphoma (including any line of treatment, including first line, second line and third line, and including relapsed/refractory forms). For clarity, any of the above forms or lines of therapy to treat Follicular Lymphoma can achieve the milestone events as set out in Section 8.2.

1.84 "**FTE**" means the equivalent of one (1) full-time person working over a twelve (12) month period [***].

1.85 "**GAAP**" means Generally Accepted Accounting Principles and can comprise International Financial Reporting Standards (IFRS) or US-GAAP, consistently applied.

1.86 "**GCP**" means all applicable Good Clinical Practice standards for the design, conduct, performance, monitoring, auditing, recording, analyses and reporting of clinical trials, including, as applicable, **(i)** as set forth in European Commission Directive 2001/20/EC relating to the implementation of good clinical practice in the conduct of clinical trials on medicinal products for human use, and brought into Law by European Commission Directive 2005/28/EC laying down the principles and detailed guidelines for good clinical practice for investigational medicinal products, **(ii)** regulation 536/2014 of the European Parliament and of the council of 16 April 2014 on clinical trials on medicinal products for human use, **(iii)** the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use Harmonised Tripartite Guideline for Good Clinical Practice (CPMP/ICH/135/95) and any further addenda thereto and any other guidelines for good clinical practice for trials on medicinal products in the EU, **(iv)** the Declaration of Helsinki (2004) as last amended at the 64th World Medical Association in October 2013 and any further amendments or clarifications thereto, **(v)** US Code of Federal Regulations Title 21, Parts 50 (Protection of Human Subjects), 56 (Institutional Review Boards) and 312 (Investigational New Drug Application), as may be amended from time to time, and **(vi)** the equivalent Laws in any relevant country, each as may be amended and applicable from time to time and in each case that provide for, among other things, assurance that the clinical data and reported results are credible and accurate and protect the rights, integrity, and confidentiality of trial subjects.

1.87 "**Germany Co-Detailing Agreement**" has the meaning set forth in Section 2.4(d).

1.88 "**Global Branding**" has the meaning set forth in Section 5.6(a)(i)(1).

1.89 "**Global Brand Strategy**" has the meaning set forth in Section 5.6(a)(i)(2).

CONFIDENTIAL

1.90 "**Global Product Mark**" has the meaning set forth in Section 5.6(a)(iii) and includes the Existing Product Marks.

1.91 "**Global Trial**" would mean a **(i)** Trial, other than a MorphoSys Trial, that is required to obtain and/or maintain Regulatory Approvals in at least the Co-Commercialization Territory and possibly also other country(ies) within the COMPANY Territory, or **(ii)** an investigator initiated Trial, which is conducted in at least the Co-Commercialization Territory and possibly also other country(ies) within the COMPANY Territory or **(iii)** an Early Access Program based on a MorphoSys Trial or a Trial under (i) above, which is conducted in at least the Co-Commercialization Territory and possibly also other country(ies) within the COMPANY Territory. If any activity under each of (i), (ii) and (iii) above is a Non-NDA Study, such activity to be subject to approval under Section 9.2(e).

1.92 "**GLP**" means all applicable Good Laboratory Practice standards, including, as applicable, **(i)** as set forth in European Commission Directive 2004/10/EC relating to the application of the principles of good laboratory practices, as may be amended from time to time, as well as the OECD Series on Principles of Good Laboratory Practice, **(ii)** the then-current good laboratory practice standards promulgated or endorsed by the FDA as defined in 21 C.F.R. Part 58, and **(iii)** the equivalent Laws in any relevant country, each as may be amended and applicable from time to time.

1.93 "**GMP**" means all applicable Good Manufacturing Practices including, as applicable, **(i)** the applicable part of quality assurance to ensure that products are consistently produced and controlled in accordance with the quality standards appropriate for their intended use, as defined in European Commission Directive 2003/94/EC laying down the principles and guidelines of good manufacturing practice, **(ii)** the principles detailed in the US Current Good Manufacturing Practices, 21 C.F.R. Sections 210, 211, 601 and 610, **(iii)** the Rules Governing Medicinal Products in the European Community, Volume IV Good Manufacturing Practice for Medicinal Products, **(iv)** the principles detailed in the ICH Q7A guidelines, and **(v)** the equivalent Laws in any relevant country, each as may be amended and applicable from time to time.

1.94 "**Governmental Authority**" means any multinational, supra-national, federal, state, local, municipal or other governmental authority of any nature (including any Regulatory Authority and any governmental association, division, prefecture, subdivision, department, agency, bureau, branch, office, commission, committee, council, court or other tribunal, such as statutory health insurance funds and their associations), in each case having jurisdiction over the applicable subject matter.

1.95 "**Government Official**" means **(a)** any officer, employee of a government or any department, agency or instrument of a government; **(b)** any person acting in an official capacity for or on behalf of a government or any department, agency, or instrument of a government, including, for example, a Healthcare Professional employed by a public hospital or healthcare system; **(c)** any officer or employee of a company or business owned in whole or part by a government; **(d)** any officer or employee of a public international organization such as the World Bank or United Nations; **(e)** any political party, officer or employee of a political party ,or any person acting in an official capacity on behalf of a political party; and/or **(f)** any candidate or relative of any candidate for political office.

CONFIDENTIAL

1.96 "**Healthcare Professional**" means any member of the medical, pharmacy or nursing professions or any other person who in the course of his or her professional activities may prescribe, purchase, supply or administer a medicinal product.

1.97 "**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules promulgated thereunder.

1.98 "**HSR Filing Date**" has the meaning defined in Section 18.21(a).

1.99 "**IND**" means an Investigational New Drug Application (as defined in the US Federal Food, Drug and Cosmetics Act and the regulations promulgated thereunder (21 C.F.R. §312) in the US, a clinical trial application in Europe, or a comparable application or filing in any other jurisdiction (i.e., a filing with a Regulatory Authority or Ethics Committee that must be made prior to commencing clinical testing in humans).

1.100 "**Independent Trial**" means a Trial, which has not been agreed by the Parties to be a Global Trial as Joint Development Activity in accordance with Section 3.5. For clarity, an Independent Trial may be conducted in countries in either or both the Co-Commercialization Territory and the COMPANY Territory, provided that **(i)** such Independent Trial has been reviewed and discussed in the JDC, (ii) any Non-NDA Study is subject to approval under Section 9.2(e), and **(iii)** such Independent Trial has been included into the Development Plan.

1.101 "**Indication**" means, with respect to a Product, a separate and distinct disease or medical condition that such Product is intended to treat, cure, mitigate, control, prevent, diagnose, monitor or ameliorate, as set forth in the Market Authorization Application or label for such Product, as applicable, for which such Product has received Regulatory Approval from the applicable Regulatory Authority. For clarity, DLBCL, FL, MCL, MZL, ALL and CLL shall be separate Indications. For the purpose of Section 8.2 only, the use of a Product to treat an expanded set of patients or a sub-population of patients for a disease or medical condition, when such Product has already received Regulatory Approval in a different patient population or sub-population of patients with respect to such disease or medical condition or line of therapy, shall not constitute a separate Indication with respect to such Product, except as specifically outlined [***].

1.102 "**Initial Know-How Transfer**" has the meaning set forth in Section 3.1.

1.103 "**Invention**" means any invention, discovery, improvement, technology or other Know-How (in each case, whether patentable or not) that is not existing as of the Execution Date and is invented or generated under this Agreement during the Term.

1.104 "**JCC**" has the meaning set forth in Section 9.7(a).

1.105 "**JDC**" has the meaning set forth in Section 9.5(a).

1.106 "**JMC**" has the meaning set forth in Section 9.6(a).

1.107 "**Joint Development Activities**" means **(i)** any Global Trial(s) or MorphoSys Trial(s), including Development Activities directly attributable to, or reasonably allocable to the performance of a Global Trial or a MorphoSys Trial, **(ii)** establishment and maintenance of the global safety database (or safety databases, as applicable) and, until obtaining of first Regulatory Approval for Product in Territory, pharmacovigilance activities for the Product, and **(iii)** Manufacturing Development Activities; in each case undertaken by or on behalf of a Party

or its Affiliates (or their Sublicensee(s) or subcontractors) with respect to the Licensed Antibody or Product in the Field and, for activities carried out after the Execution Date, consistent with the applicable Development Plan. For the avoidance of doubt, Manufacturing (other than commercial supply), distribution and clinical supply of Product, as well as any combination or comparator products, for Development Activities directly attributable to, or reasonably allocable to the performance of a Global Trial or a MorphoSys Trial shall be regarded as Joint Development Activities.

1.108 "**Joint Development Budget**" shall mean the annual budget for all Joint Development Costs in the applicable Development Plan as agreed through the JDC and approved by the JSC, which budget may be amended and/or supplemented from time to time by consensual agreement of the JDC and approval by the JSC and shall cover at least the upcoming [***] months at all times. An initial outline of the Joint Development Budget is provided in **EXHIBIT 7**.

1.109 "**Joint Development Costs**" means the Development Costs incurred by a Party or its Affiliates directly attributable to, or reasonably allocable to Joint Development Activities, provided that such costs and expenses are consistent with the applicable Development Plan (including the Joint Development Budget contained therein). "Joint Development Costs" shall [***]. For clarity, Joint Development Costs shall exclude Medical Affairs Activities Costs, Regulatory Costs and Commercialization Costs. For the avoidance of doubt, to the extent costs are partly directly attributable to the Joint Development Activities and partly attributable to other activities of COMPANY or MorphoSys (in particular Sole Funded Development Activities), such costs shall constitute "Joint Development Costs" on a pro rata basis, which calculation shall be agreed between the Parties in good faith.

1.110 "**Joint Foreground Patents**" means all Patents claiming Joint Inventions.

1.111 "**Joint Invention**" means an Invention that is conceived jointly by employees of, or persons under an obligation of assignment to, MorphoSys and COMPANY.

1.112 "**JSC**" or "**Joint Steering Committee**" shall have the meaning set forth in Section 9.2(a).

1.113 "**Know-How**" means **(i)** all information, techniques, data, inventions, practices, methods, processes, knowledge, know-how, skill, experience, technical data, test results (including pharmacological, toxicological, clinical, analytical and quality control data, regulatory submissions, correspondence and communications, and marketing, distribution, pricing, cost, manufacturing, patent and legal data or descriptions), and **(ii)** compositions of matter, assays, cell lines, vectors, plasmids and other materials, including Development Data.

1.114 "**Labelling and Packaging**" means labelling and packaging of the Drug Product, including insertion of materials such as patient inserts, patient medication guides, professional inserts and any other written, printed or graphic materials accompanying the Product considered to be part of the Finished Drug Product, and its handling, storage, quality control, quality assurance, testing and related activities of the Product in connection with the foregoing.

1.115 "**Laws**" means all laws, statutes, rules, regulations, directives, decisions, ordinances, guidelines and other pronouncements of any Governmental Authority.

1.116 "**Licensed Antibody**" means **(a)** the humanized monoclonal antibody designated by MorphoSys as "MOR208" or "tafasitamab" or "XmAb5574" the amino acid sequence of which

CONFIDENTIAL

is disclosed in **EXHIBIT 1** and/or **(b)** all derivative, follow-on and backup molecules thereof in all cases owned or Controlled by MorphoSys on the Execution Date or during the Term, **(c)** all derivative, follow-on and backup molecules, invented jointly with COMPANY at any time during the Term to the extent not forbidden by the Xencor Agreement and/or **(d)** any other anti-CD19 monoclonal antibodies owned or Controlled by MorphoSys as of the Execution Date or during the Term. "Licensed Antibody" excludes XmAb5871 and all Antibodies in the XmAb5871 Program.

1.117 "**Losses**" has the meaning set forth in Section 14.1.

1.118 "**MAA**" means a Marketing Authorization application in the form of a BLA in the US, a MAA in Europe, a JNDA in Japan or a comparable filing or filing serving to apply for Marketing Authorization in any other regulatory jurisdiction.

1.119 "**M&A Event**" has the meaning set forth in Section 18.1.

1.120 "**Manufacturing**" or "**Manufacture**" means all activities related to the manufacturing of the Licensed Antibody or a Product (both whether finished or not) or a Placebo thereof, or a combination or comparator product, or any ingredient thereof, including manufacturing for clinical use or commercial sale, in-process and lot release testing, release, certification, filling, Labelling and Packaging, quality assurance activities related to such aforementioned manufacturing of the Licensed Antibody, Product, combination or comparator product as well as handling and storage of the Licensed Antibody or Product or a Placebo thereof.

1.121 "**Manufacturing Development Activities**" means development of test methods, stability testing, formulation development, manufacturing development, process development, quality assurance activities, quality control activities, qualification and validation activities, development activities for analytical test methods, analytical testing, release testing, generation of reference materials, manufacturing process validation, scale-up, and all other activities, including CMC-related activities, necessary for or related to the development of Manufacture of Licensed Antibody, Placebo and Product for clinical or commercial use in the Field as far as directly allocable to or reasonably useful for the development of Manufacture for the supply for or Regulatory Approvals in any country worldwide.

1.122 "**Marketing Authorization**" means, with respect to a Product, the possession of all approvals (including supplements, amendments), licenses, registrations and authorizations of any national (e.g., the FDA), supra-national (e.g., the European Commission), regional, state or local regulatory agency, department, bureau, commission, council or other governmental authority, necessary for the manufacture, distribution, use and sale of such Product in a regulatory jurisdiction. For the avoidance of doubt, "Marketing Authorization" shall not include Pricing Approval.

1.123 "**Material Breach**" has the meaning set forth in Section 17.2(a).

1.124 "**MCL**" means Mantle Cell Lymphoma (including any line of treatment, including first line, second line and third line, and including relapsed/refractory forms). For clarity, any of the above forms or lines of therapy to treat Mantle Cell Lymphoma can achieve the milestone events as set out in Section 8.2.

1.125 "**Medical Affairs Activities**" means non-promotional activities designed to ensure or improve appropriate medical use of, conduct medical education of, or further research regarding, Licensed Antibody(ies) or Product(s), including by way of example: **(i)** activities of

CONFIDENTIAL

medical science liaisons; **(ii)** the provision of grants or sponsorships to support continuing medical education, symposia, or Third Party research related to the Product; **(iii)** the development, publication and dissemination of publications relating to the Product and/or related disease or therapeutic indication; **(iv)** medical information services provided in response to inquiries communicated via Sales Representatives or received by letter, phone call, email or other means of communication; **(v)** presentation of relevant medical information to third-party payers, advocacy (including patient advocacy groups) and health policy groups; **(vi)** the conduct of advisory board meetings and other meetings with Healthcare Professionals; and (**vii**) Non-NDA Studies.

1.126 "**Medical Affairs Activities Costs**" means costs and expenses [***] the Medical Affairs Activities conducted pursuant to the Agreement and the Development Plan and Co-Commercialization Plan (as applicable) then in effect, incurred by a Party [***] Medical Affairs Activities in the Co-Commercialization Territory in accordance with the Joint Development Budget and Co-Commercialization Budget (as applicable), [***]. For the avoidance of doubt, to the extent costs are partly directly attributable to Medical Affairs Activities and partly attributable to other activities of COMPANY or MorphoSys (in particular Medical Affairs Activities for products controlled by COMPANY that are not Licensed Antibody or Product), such costs shall constitute "Medical Affairs Activities Costs" on a pro rata basis, which calculation shall be agreed between the Parties in good faith.

1.127 "**MorphoSys Annual Development Report**" means, for each calendar year, the written report that describes MorphoSys' past and planned Development activities for Licensed Antibody or Product in the Field for that year, and covers other subject matter as called for in Section 3.14(b).

1.128 "**MorphoSys Background Patents**" means **(a)** all patents and patent applications listed in **EXHIBIT 2**; **(b)** all patent applications (including provisional and utility applications) claiming priority to or common priority with or based on any of the foregoing, including all divisionals, continuations, continuations-in-part, patents of addition and substitutions of any of the foregoing; **(c)** all patents issuing on any of the foregoing, and all reissues, re-examinations, renewals and extensions of any of the foregoing, **(d)** all counterparts to the foregoing in other countries; and **(e)** all supplementary protection certificates, restoration or extension of patent term and other similar rights of MorphoSys and its Affiliates based on any of the foregoing. At the reasonable request of COMPANY, but no more than once per [***], MorphoSys shall provide COMPANY with an updated list of MorphoSys Background Patents and correct any typographical errors.

1.129 "**MorphoSys Core Improvement Inventions**" means any and all Product Inventions, for which MorphoSys (or its Affiliate) has (meaning that it employs or has engaged as a consultant) at least one (1) person who would be a properly named inventor on the US Patent claiming such invention, that were invented in the course of MorphoSys' or its Affiliate's Product activities during the Term, and **(a)** relate to enhancing the antibody-dependent cytotoxic activity of an Fc in comparison to human wild type IgG1 antibodies, including, but not limited to, ADCC, CDC, and/or phagocytosis, and **(b)** are not claimed in patents all of the claims of which are limited by CD19, any other target, or by CDR or specificity of the Antibody.

1.130 "MorphoSys Foreground Patents" means any Patent claiming a MorphoSys Invention.

CONFIDENTIAL

1.131 "MorphoSys Funded Development Activities" means Independent Trials-related activities performed by or on behalf of MorphoSys or its Affiliates (or Sublicensee(s) or subcontractor(s)) for Product.

1.132 "**MorphoSys Invention**" means an Invention that is conceived solely by employees of MorphoSys or its Affiliates or of a Third Party under an obligation of assignment to MorphoSys or its Affiliates.

1.133 "**MorphoSys Know-How**" means all Know-How that MorphoSys or its Affiliate Controls during the Term that relates in any way to any Product, Licensed Antibody or a method of Developing, Manufacturing, using (including methods of administration and dosing regimens) or testing of (or in the case of testing, of or for the presence of) any of the foregoing or any article necessary or reasonably useful to practice or use (including those present during the practice or use of) any such Product, Licensed Antibody or method. The MorphoSys Know-How includes all clinical data generated in clinical trials of Product by or for MorphoSys or its Affiliates. To avoid doubt, MorphoSys Know-How does not include Know-How relating to the manufacture of the Licensed Antibody and Product that is Controlled by [***] on the Execution Date. Without limiting the generality of the definition set forth in this Section, the MorphoSys Know-How on the Execution Date is listed in more detail in **EXHIBIT 4A** hereto.

1.134 "**MorphoSys Patent**" means any MorphoSys Background Patent and MorphoSys Foreground Patent.

1.135 "**MorphoSys Trial(s)"** means the Trials outlined in **EXHIBIT 8A**, [***].

1.136 "**MZL**" means Marginal Zone Lymphoma (including any line of treatment, including first line, second line and third line, and including relapsed/refractory forms). For clarity, any of the above forms or lines of therapy to treat Marginal Zone Lymphoma can achieve the milestone events as set out in Section 8.2.

1.137 "**Net Sales**" means the gross amount invoiced by a Party or its Affiliates or any Sublicensee(s) for the sale of Product in the Territory, less any of the following applicable deductions related to such sale and included in the invoiced amounts:

[***]

In the event that a Product is sold as part of a Combination Product, Net Sales of the Product, for the purpose of determining royalty payments, shall be determined by [***].

Net Sales excludes [***].

Net Sales includes [***].

Net Sales amounts shall be determined from the books and records of a Party and its Affiliates maintained in accordance with GAAP consistently applied [***].

1.138 "**NHL**" means non-Hodgkins lymphoma, including but not limited to DLBCL, FL, marginal zone lymphoma and mantle cell lymphoma (including any line of treatment, including first line, second line and third line, and including relapsed/refractory forms).

1.139 "**Non-Breaching Party**" has the meaning described in Section 17.2(a).

CONFIDENTIAL

1.140 "**Non-NDA Study**" means a Trial that is either **(a)** an investigator initiated trial, **(b)** Early Access Program, **(c)** interventional health economics and outcomes research (HEOR), **(d)** non-interventional retrospective or prospective study, or **(e)** Post-Marketing Authorization Trial, in each case (a) through (e) above such Trial shall not be required by, or are a commitment to, Regulatory Authorities.

1.141 "**Other Licensee(s)**" means any Third Party to whom Xencor or any of its Affiliates has granted a license or sublicense to research, develop, manufacture and/or commercialize any XmAb5871 Product.

1.142 "**Patent**" means any patent application or patent anywhere in the world, including all of the following kinds: provisional, utility, divisional, continuation, continuation-in-part, and substitution applications; and utility, re-issue, re-examination, renewal and extended patents, and patents of addition, and any supplementary protection certificates, restoration of patent terms and other similar rights.

1.143 "**Patent Challenge**" has the meaning set forth in Section 11.20.

1.144 "**Personal Data"** means any information relating to an identified or identifiable natural person.

1.145 "**Pivotal Trial**" means a Trial (or – in case of a multiphase clinical trial – those parts of a clinical trial) intended and/or sufficient to provide affirmative evidence for a drug Marketing Authorization approval, including but not limited to a Phase 3 Trial.

1.146 "**Phase 1 Trial**" means, with respect to a Product, a Trial (or — in case of a multi-phase clinical trial — those parts of a clinical trial) in line with the provisions of 21CFR312, Section 21 (a).

1.147 "**Phase 2 Trial**" means, with respect to a Product, a Trial (or — in case of a multi-phase clinical trial — those parts of a clinical trial) in line with the provisions of 21CFR312, Section 21 (b).

1.148 "**Phase 3 Trial**" means, with respect to a Product, a Trial (or — in case of a multi-phase clinical trial — those parts of a clinical trial) in line with the provisions of 21CFR312, Section 21 (c).

1.149 "**Placebo**" means a substance or mixture of substances lacking presence of an active pharmaceutical ingredient, manufactured for purposes of control treatment in blinded clinical trials with Product.

1.150 "**PMDA**" means the Pharmaceuticals and Medical Devices Agency in Japan or any successor agency thereto.

1.151 "**Post-Marketing Authorization Trial**" means with respect to Product, a Trial occurring after Marketing Authorization in a given Indication, including post-market requirement and commitment studies that are required of or agreed to by the Sponsor and that gather additional information about the Product's safety, efficacy, or optimal use within the Indication covered by the Marketing Authorization, including phase IV Trials and confirmatory Trials.

1.152 "**Pre-Launch**" means all activities undertaken prior to and in preparation for the launch of the Product in a given country or region. Pre-Launch shall include all activities directed to market research, advisory boards, medical education, disease-related public relations, sales force training and other pre-launch activities prior to the First Commercial Sale of the Product in a given country or region.

CONFIDENTIAL

1.153 "**Pre-Tax Profit (Loss)**" means, for the purposes of this Agreement, for a given period of time, all Net Sales in the Co-Commercialization Territory during such period, less the sum of both Parties' [***]. For sake of clarity, Pre-Tax Profit (Loss) shall be determined in accordance with GAAP consistently applied for all costs other than FTE Costs, which costs shall be determined as set forth in this Agreement, prior to application of any income taxes. In the event that there is overlap among any of those deductions (i)-(vii) and the deductions (a)-(e) under the Net Sales definition, each individual item shall only be deducted once in each Pre-Tax Profit (Loss) calculation.

1.154 "**Pre-Tax Profit (Loss) Share**" has the meaning set forth in Section 7.7.

1.155 "**Pricing Activities**" means activities by or on behalf of the Parties or their Affiliates (or their Sublicensee(s) or subcontractor(s)) with respect to (a) preparation, filing, obtaining and maintaining Pricing Approvals, (b) Pricing Materials, (c) calls and meetings with Governmental Authorities in relation to Pricing Approvals and/or Pricing Materials, all with respect to Licensed Antibody(ies) and/or Product(s).

1.156 "**Pricing Approval**" means the approval, agreement, determination or decision from a Governmental Authority or a private payer establishing the final net price and reimbursement for the Product for sale in a given country or regulatory jurisdiction, in such country or other regulatory jurisdiction prior to or subsequent to the marketing and sale of the Product in such country or regulatory jurisdiction.

1.157 "**Pricing Costs**" means [***] Pricing Activities in relation to the Product. [***].

1.158 "**Pricing Materials**" means applications, submissions, notifications, communications, correspondence, registrations and/or other filings submitted to, made to, received from or otherwise conducted with a Governmental Authority that are necessary in order to obtain and maintain Pricing Approvals in a particular country or regulatory jurisdiction.

1.159 "**Product**" means any product for use in the Field comprising or containing a Licensed Antibody, alone or in combination with one or more other active ingredients in all forms, in current and future formulations, dosage forms and strengths, and delivery modes, including any improvements to any of the foregoing.

1.160 "**Product Inventions**" means any and all patentable Inventions that constitute or relate in any way to **(a)** the Licensed Antibody, Product, Antibody in the XmAb5871 Program, or pharmaceutical composition containing any such Antibody, **(b)** any method of making, using (including methods of administration and dosing regimens) or testing (in the case of testing, of or for the presence of) any of the foregoing, and/or **(c)** any article necessary or useful to practice (including those present during the practice of) any method referred to in clause (b) (including cell lines, vectors and plasmids used in production).

1.161 "**Product Liability Expenses**" means [***].

1.162 "**Product Marks**" means the trademarks for use in connection with the Commercialization of the Product, including the trade dress, style of packaging, logos, internet domain names, trade names and other proprietary names for the Product used in connection with the Commercialization of the Product. For clarity, Product Marks shall not include the corporate names and logos of COMPANY or MorphoSys.

1.163 "**Pro Rata Percentage**" means, in the context of costs, expenses, fees and payments sharing between the Parties under this Agreement, the following proportionate allocation:**(a)** with respect to COMPANY, fifty-five percent (55%), and **(b)** with respect to MorphoSys, forty-five percent (45%). For clarity, for Co-Commercialization Costs in the Co-Commercialization Territory, the Pro Rata Percentage shall not apply but the principles set forth in Section 7.7 shall apply.

1.164 "**Regulatory Activities**" means activities by or on behalf of the Parties or their Affiliates (or their Sublicensee(s) or subcontractor(s)) with respect to **(a)** preparation, filing, obtaining and maintaining Regulatory Approvals **(b)** Regulatory Materials, **(c)** calls and meetings with Regulatory Authorities, all with respect to Licensed Antibody(ies) and/or Product(s).

1.165 "**Regulatory Approvals**" means all necessary approvals (including INDs, Marketing Authorizations and, in each case any supplements and amendments thereto), licenses, registrations or authorizations of any Governmental Authority, necessary for the Development, Manufacture, distribution, use, promotion, importing, sale and commercialization of the Product in a given country or regulatory jurisdiction, except for Pricing Approvals.

1.166 "**Regulatory Authority**" means any Governmental Authority in any jurisdiction of the world involved in the granting of Marketing Authorization and/or authorizations for clinical trials for pharmaceutical products or medical devices (including regulated diagnostics).

1.167 "**Regulatory Costs**" means [***] Regulatory Activities. [***] Regulatory Costs shall exclude Development Costs, Commercialization Costs, Manufacturing costs and Medical Affairs Activities Costs.

1.168 "**Regulatory Data**" means any and all research data, pharmacology data, chemistry, manufacturing and control data, preclinical data, clinical data and all other documentation submitted, or required to be submitted, to Regulatory Authorities in association with obtaining or maintaining all Regulatory Approvals and Pricing Approval for the Product in the Territories (including relevant parts of any applicable Drug Master Files ("**DMFs**"), Chemistry, Manufacturing and Control ("**CMC**") data, Common Technical Document ("**CTD**") or similar documentation).

1.169 "**Regulatory Materials**" means regulatory applications, submissions, notifications, communications, correspondence, registrations and/or other filings submitted to, made to, received from or otherwise conducted with a Regulatory Authority that are necessary in order to Develop, Manufacture, obtain and maintain Regulatory Approvals, market, sell or otherwise Commercialize the Product in a particular country or regulatory jurisdiction. Regulatory Materials include materials relating to pre-IND meetings, INDs, pre-MAA meetings, MAAs, presentations, responses, and applications for other Regulatory Approvals, excluding Pricing Materials.

1.170 "**ROW Territory**" means the COMPANY Territory excluding the European Region and Japan.

1.171 "**Royalty Term**" has the meaning set forth in Section 8.3(c).

1.172 "**Sales Representative**" means an authorized salesperson or agent who has been qualified by either Party under the Party's respective policies and procedures to sell a Product, whether employed or otherwise contracted by a Party.

1.173 "**Second Position Detail**" means a Detail in which the applicable pharmaceutical product is Detailed in the second position (i.e., no more than one other product is presented to or discussed with the Healthcare Professional before such Product) and the second most predominant portion of time is devoted to the Detailing of such pharmaceutical product.

1.174 "**Sole Funded Development Activities**" means either a MorphoSys Funded Development Activity and/or COMPANY Funded Development Activity.

1.175 "**Sole Funded Development Activity Budget**" has the meaning set forth in Section 3.5.

1.176 "**Sole Funded Development Activity Plan**" has the meaning set forth in Section 3.5.

1.177 "**Sponsor**" means the Party (or such Party's Affiliate or sublicensee) taking responsibility for the initiation and management, and/or financing of a Trial in accordance with applicable Laws. For the avoidance of doubt, the allocation of costs for Development activities in the internal relationship between the Parties under this Agreement shall not be decisive to determine which Party is the Sponsor of a Trial under this definition.

1.178 "**Sublicense Agreement**" means a sublicense or other right (including any option for a sublicense) for any Licensed Antibody, specifically excluding rights granted to Distributors.

1.179 "**Sublicensee**" means a Third Party to whom a Party (or its Affiliate) has granted a (sub)license, specifically excluding distributors and excluding contract manufacturing organizations with a right to Manufacture on behalf of a Party (or its Affiliate or its Sublicensee) only.

1.180 "**Supply Agreement**" has the meaning set forth in Section 6.1.

1.181 "**Target**" means CD19.

1.182 "**Technology Transfer**" has the meaning assigned to it in Section 6.6(a).

1.183 "**Term**" has the meaning assigned to it in Section 17.1(a).

1.184 "**Territory**" means, collectively, the Co-Commercialization Territory and the COMPANY Territory.

1.185 "**Third Party**" means any person or entity other than a Party or an Affiliate of a Party.

1.186 "**Third Party Patents**" means all Patents owned by any Third Party (other than Xencor or [***]) that a Party reasonably determines would be necessary for the research, development, manufacture (whether for development or Commercialization activities), use or Commercialization of any Licensed Antibody or Product.

1.187 "**Third Party Payments**" means [***].

1.188 "**TPP**" means the target product profile for the Product in the Field worldwide.

CONFIDENTIAL

1.189 "**Trial**" means any clinical study or clinical trial (including interventional clinical trials), Independent Trials and Sole Funded Development Activities in which the Product is administered or otherwise evaluated in humans (including any Post-Marketing Authorization Trial, Non-NDA Studies, paediatric trials) or any non-interventional, retrospective or observational studies related to the Product.

1.190 "**US**" means the United States of America and its respective territories, districts, commonwealths and possessions (including Guam and Puerto Rico).

1.191 "**US Dollar**" means U.S. Dollars and all references to "dollars" or "$" herein shall mean U.S. Dollars.

1.192 "**US Government Price Calculations and Reporting**" has the meaning set forth in Section 4.5.

1.193 "**Valid Claim**" means **(a)** a claim of an issued and unexpired patent which has not been found to be unpatentable, invalid or unenforceable by a court or other authority having jurisdiction, from which decision no appeal is taken or can be taken; and **(b)** a claim of a pending application, which pending application **(i)** has not been pending for more than seven (7) years from the date of its earliest priority date, and **(ii)** which claim has not been finally abandoned. For the avoidance of doubt, any claim of an application which directly or indirectly claims priority to any application filed more than [***] years from the date of its earliest priority date shall not be a Valid Claim unless and until such claim becomes the claim of an issued and unexpired patent falling within subsection (i) of this Section.

1.194 "**Wild Type IgG 1**" means a monoclonal anti-CD19 Antibody, which has identical variable regions as XmAb5574 and XmAb5871 and a wild type IgG 1 backbone and the amino acid sequence of which is set forth in **EXHIBIT 9D**.

1.195 "**Xencor**" means XENCOR, INC., a Delaware corporation with its principal offices at 111 West Lemon Avenue, Monrovia, CA 91016.

1.196 "**Xencor Agreement**" means the collaboration and license agreement entered into by and between MorphoSys and Xencor on June 27, 2010, under which MorphoSys obtained an exclusive license to further develop and commercialize MOR208 worldwide. A redacted version of the Xencor Agreement was provided to COMPANY.

1.197 "**Xencor Agreement Effective Date**" means the effective date of the Xencor Agreement, i.e. 27 June 2010.

1.198 "**Xencor Agreement Term**" shall mean the term of the Xencor Agreement.

1.199 "**Xencor Background Patents**" means **(a)** all patents and patent applications listed in **EXHIBIT 3**; **(b)** all patent applications (including provisional and utility applications) claiming priority to or common priority with or based on any of the foregoing, including all divisionals, continuations, continuations-in-part, patents of addition and substitutions of any of the foregoing; all patents issuing on any of the foregoing, and all reissues, re-examinations, renewals and extensions of any of the foregoing, all counterparts to the foregoing in other countries; and all supplementary protection certificates, restoration or extension of patent term and other similar rights of MorphoSys and its Affiliates based on any of the foregoing; **(c)** all Patents, for which Xencor (or its Affiliate) has (meaning that Xencor (or its Affiliate) employs or has engaged as a consultant) at least one (1) person who would be a properly named

CONFIDENTIAL

inventor on the U.S. patent claiming such invention, that were invented in the course of Xencor's (or its Affiliate's) Product and/or Licensed Antibody and/or XmAb5871 Program activities and for which a Patent was filed before the Execution Date; including Xencor Patents filed before the Execution Date, and **(d)** all Patents other than the Patents listed in **EXHIBIT 3** Controlled by Xencor or its Affiliate during the Xencor Agreement Term and claiming priority to a Patent in existence prior to the Execution Date that Cover Licensed Antibody and/or Product, all to the extent Controlled by MorphoSys on the Execution Date, but excluding after a Xencor Change of Control all Patents of the acquirer and/or the acquiring corporate family existing prior to or on the date of such Xencor Change of Control, claiming priority to such a Patent existing prior or on such date, or owned or controlled by such acquirer and/or the acquiring corporate family independently of Xencor (for clarity, in the case where Xencor is merged into another entity, the references here to "Xencor" and "independently of Xencor" mean to refer to "the merged entity" and "independently of the merged entity"). For the avoidance of doubt, all Patents that qualified as Patents under (d) prior to the date of such Xencor Change of Control shall remain part of Xencor Background Patents during the Term. To avoid doubt, Xencor Background Patents exclude Patents on Xencor's technologies for protein and/or antibody design, such exclusion including Xencor's PDA® technology.

1.200 "**Xencor Candidate Specific Product Invention Patents**" means Xencor Background Patents and Xencor Product Invention Patents, both solely related to a Product.

1.201 "**Xencor Change of Control**" means **(a)** any acquisition, sale or merger of Xencor (or all or substantially all of its assets), regardless of the form of the transaction (specifically including stock sales, asset sales, and reverse transactions), or **(b)** Xencor becoming Affiliated with any [***].

1.202 "**Xencor Foreground Patents**" means the Patents described in **EXHIBIT 5**, all to the extent Controlled by MorphoSys after the Execution Date during the Term.

1.203 "**Xencor Know-How**" means all unpatented Know-How that **(i)** is owned or Controlled by Xencor or its Affiliate as of the Xencor Agreement Effective Date, or owned or Controlled by Xencor or its Affiliate thereafter during the collaboration term of the Xencor Agreement, which is already expired, and **(ii)** is necessary or useful for Licensed Antibody, and/or Product development and/or commercialization (including Know-How relating to any method of making, using (including methods of administration and dosing regimens) or testing of (or in the case of testing, of or for the presence of) or Manufacturing of a Licensed Antibody and/or Product) or any article necessary or useful to practice (including those present during the practice of any such method) any of the foregoing; but specifically excluding computational protein design methods and drug discovery (but not development) methods and Know-How of an acquirer and/or the acquiring corporate family existing prior to or on the date of a Xencor Change of Control or independently of Xencor thereafter (for clarity, in the case where Xencor is merged into another entity, the references here to "Xencor" and "independently of Xencor" mean to refer to "the merged entity" and "independently of the merged entity"). Without limiting the generality of the definition set forth in this Section, the Xencor Know-How on the Execution Date is listed in more detail in **EXHIBIT 4B** hereto.

1.204 "**Xencor Payments**" means the royalty and milestone payments due by MorphoSys to Xencor under the Xencor Agreement.

1.205 "**Xencor Product Inventions**" means any and all Product Inventions, for which Xencor (or its Affiliate) has (meaning that it employs or has engaged as a consultant) at least one (1)

CONFIDENTIAL

person who would be a properly named inventor on the US Patent claiming such invention, that were invented in the course of Xencor's (or its Affiliate's) Product and/or XmAb5871 Program activities during the Term.

1.206 "**Xencor Product Invention Patents**" means all Patents claiming Xencor Product Invention(s).

1.207 "Xencor US Royalties" means [***].

1.208 "**XmAb5871**" means the monoclonal anti-CD19 Antibody that Xencor referred to as XmAb5871 as of the Xencor Agreement Effective Date, the amino acid sequence of which is set forth in **EXHIBIT 9A**.

1.209 "**XmAb5871 Product**" means any pharmaceutical composition containing any Antibody of the XmAb5871 Program.

1.210 "**XmAb5871 Program**", "**XmAb5871 Program Antibodies**", and "**XmAb5871 Antibodies**" means all anti-CD19 Antibodies that do not contain any of the Fc variants in **EXHIBIT 9B** (as "variant" is defined in **EXHIBIT 9B**) and that both (1) (meaning either of (a) or (b)), and (2): **(1)** either of: **(a)** the Fc of such Antibody contains solely a variant listed in **EXHIBIT 9C** (as "variant" is defined in **EXHIBIT 9C**); ***provided, however***, that such Antibody is not low-or afucosylated, unless such low- or afucosylated Antibody meets the definition of clause (b) below; or **(b)** do not have reproducibly higher antibody-dependent cytotoxic activity (including ADCC, CDC, and/or phagocytosis) than XmAb5871 and Wild Type IgG 1, which shall be the case if both **(i)** such Antibody does not increase the Affinity Constant of Binding to FcgRI by more than a factor of [***] compared to Wild Type IgG 1, does not increase the Affinity Constant of Binding to FcgRIIIa by more than a factor of [***] compared to Wild Type IgG 1, does not have an absolute level of maximal lysis in a CDC activity assay (as set forth in **EXHIBIT 9E**) of more than [***] percent ([***]%) greater than the absolute level of maximal lysis of Wild Type IgG 1, and does have an Affinity Constant of Binding to FcgRIIb that is more than [***] times higher than XmAb5574, and **(ii)** such Antibody does not have an Affinity Constant of Binding to FcgRIIa 131 Arg that is higher than [***] of such Antibody's Affinity Constant of Binding to FcgRIIb, and does not have an Affinity Constant of Binding to FcgRIIa 131His that is more than [***] times higher than Wild Type IgG 1 AND **(2)** are not antibody-drug conjugates, unless such conjugate inhibits immune function and does not cause either directly or indirectly a cytotoxic effect on target cells. "**Affinity Constant of Binding**" means the affinity of an Antibody Fc to a Fcg receptor as determined using the protocol in **EXHIBIT 9E**. The Affinity Constant of Binding is increased, greater or higher if the K_A value is nominally increased; as an example a K_A of 10^7 1/M is increased, greater or higher than 10^6 1/M.

2. LICENSES AND SUBLICENSES

2.1 License Grant from MorphoSys. Subject to the terms and conditions of this Agreement, and, with respect to Xencor Background Patents, Xencor Foreground Patents and Xencor Know-How, to the extent MorphoSys is entitled under the Xencor Agreement to grant the license rights under this Section 2.1, MorphoSys hereby grants to COMPANY:

(a) an **(i)** exclusive, royalty-bearing (in accordance with Section 8.3), sublicense under the Xencor Background Patents and Xencor Know-How to research, have

CONFIDENTIAL

researched, Develop, have Developed, make, have made, use, have used, sell, have sold, offer for sale, have offered for sale, Commercialize, have Commercialized, import, have imported, export and have exported any Licensed Antibody and/or the Product(s) in the Field in the COMPANY Territory; and a **(ii)** co-exclusive (together with MorphoSys and its Affiliates and Sublicensees, if any), chargeable (subject to the Pre-Tax Profit (Loss) Share in accordance with Section 7.7) sublicense under the same, to do the same in the Co-Commercialization Territory solely in accordance with the Development Plan and the Co-Commercialization Plan;

(b) an **(i)** exclusive, royalty-bearing (in accordance with Section 8.3) license under the MorphoSys Background Patents, MorphoSys Foreground Patents, MorphoSys Know-How and MorphoSys' interest in any Joint Foreground Patents to research, have researched, Develop, have Developed, make, have made, use, have used, sell, have sold, offer for sale, have offered for sale, Commercialize, have Commercialized, import, have imported, export and have exported any Licensed Antibody and/or the Product(s) in the Field in the COMPANY Territory; and a **(ii)** co-exclusive (together with MorphoSys and its Affiliates and Sublicensees, if any), chargeable (subject to the Pre-Tax Profit (Loss) Share in accordance with Section 7.7) license under the same, to do the same in the Co-Commercialization Territory solely in accordance with the Development Plan and the Co-Commercialization Plan;

(c) an exclusive, royalty-bearing (in accordance with Section 8.3), sublicense and license respectively to all rights to make and use all Xencor Know-How and all MorphoSys Know-How in the Field in the COMPANY Territory solely in order to practice the license of Section 2.1(a) and (b) (and specifically excluding all uses in support of activities outside the scope of the license in Section 2.1(a) and (b));

(d) a **(i)** non-exclusive, royalty-free sublicense under the Xencor Foreground Patents to research, have researched, Develop, have Developed, make, have made, use, have used, sell, have sold, offer for sale, have offered for sale, Commercialize, have Commercialized, import, have imported, export and have exported Licensed Antibody and/or Product(s) in the Co-Commercialization Territory solely in accordance with the Co-Commercialization Plan and **(ii)** an exclusive, royalty-free sublicense to MorphoSys' non-exclusive license under the Xencor Foreground Patents, if any, to research, have researched, Develop, have Developed, make, have made, use, have used, sell, have sold, offer for sale, have offered for sale, Commercialize and have Commercialized, import, have imported, export and have exported Licensed Antibody and/or Product (s) in the Field in the COMPANY Territory. To avoid doubt, the royalty-free nature of the license of this Section 2.1(d) shall not alter in any way the royalty-bearing nature of the license of Section 2.1(a), 2.1(b) or of Section 2.1(e), even if applying to the same Product; and

(e) an **(i)** exclusive, royalty-bearing (in accordance with Section 8.3), license under the Existing Product Marks to research, have researched, Develop, have Developed, make, have made, use, have used, sell, have sold, offer for sale, have offered for sale, Commercialize, have Commercialized, import, have imported, export and have exported the Licensed Antibody and/or the Product(s) in the Field in the COMPANY Territory; and a **(ii)** co-exclusive (together with MorphoSys and its Affiliates and Sublicensees, if any), chargeable (subject to the Pre-Tax Profit (Loss) Share in accordance with Section 7.7) license under the same, to do the same in the Co-Commercialization Territory solely in accordance with the Development Plan and the Co-Commercialization Plan.

CONFIDENTIAL

2.2 Limitation.

(a) The license grants under Section 2.1(a) to (d) do not include the right to research, have researched, Develop, have Developed, make, have made, use, have used, sell, have sold, offer for sale, have offered for sale, Commercialize, have Commercialized, import, have imported, export and have exported any Antibody that is [***].

(b) The license grants under Section 2.1(a) to (d) to make and have made Licensed Antibody and/or the Product(s) are subject to **(i)** the COMPANY's right to have independently Manufactured the Licensed Antibody and/or the Product(s) [***].

(c) The license grants under Section 2.1(a) to (b) are exclusive in the COMPANY Territory, even as to MorphoSys and its Affiliates, to Commercialize the Product(s) in the Field in the COMPANY Territory; ***provided, however***, that MorphoSys retains the right to perform Development Activities and Non-NDA Studies subject to Section 9.2(e)(ii)(4) worldwide pursuant to the Development Plan and this Agreement, including the continuation of MorphoSys Trials and the performance of Independent Trials.

(d) The license grants under Section 2.1(a) to (d) do not include the right to use any Know-How or Patents developed or generated by MorphoSys, its Affiliates or licensees exclusively for use outside of the rights granted and activities contemplated under this Agreement.

(e) The licenses and sublicenses granted to COMPANY in Section 2.1 shall be sublicensable solely as provided in Section 2.5, but shall otherwise be non-assignable and non-transferable (except as explicitly permitted by Article 17 – Term and Termination – or Section 18.1 – Assignment).

(f) COMPANY shall not, and shall procure that its Affiliates and Sublicensees shall not, anywhere in the world, directly or indirectly, sue MorphoSys or its Affiliates and licensees based on a Patent Controlled by COMPANY or any of its Affiliates or Sublicensees as of the Execution Date that Covers a Licensed Antibody and/or a Product for infringement of such Patent due to MorphoSys', its Affiliates' or licensees' Development of Licensed Antibodies and/or Product(s) in the Field in the Territory as agreed under the Development Plan, or Commercialization of Licensed Antibodies and/or Product(s) in the Field in the Co-Commercialization Territory.

2.3 Acknowledgements and Obligations of COMPANY regarding Sublicense.

COMPANY acknowledges and agrees that MorphoSys will notify Xencor promptly after the Execution Date of the sublicenses granted to COMPANY in Section 2.1 and that MorphoSys will provide Xencor with a copy of this Agreement for the sole purpose of enabling Xencor to verify whether this Agreement is in accordance with the Xencor Agreement. The copy of this Agreement that MorphoSys will provide to Xencor will be redacted by MorphoSys with respect to development and commercial plans, and with respect to financial information. COMPANY acknowledges that under the Xencor Agreement, Xencor shall ensure that no information of such copy is disclosed to Xencor personnel other than Xencor officers, or to any Third Party

CONFIDENTIAL

other than counsel to Xencor, except solely to the extent required by applicable Laws or to assert Xencor's rights under the Xencor Agreement (with any further redactions MorphoSys requests that are consistent with the legal requirement, or sufficient for Xencor to assert Xencor's rights under the Xencor Agreement, meaning, that – with respect to the latter – MorphoSys shall not expand such redactions in a way that limits Xencor's ability to assert its rights under the Xencor Agreement).

2.4 License Grant from COMPANY. As consideration for all the rights granted by MorphoSys to COMPANY hereunder, subject to the terms and conditions of this Agreement, COMPANY hereby grants to MorphoSys:

(a) A co-exclusive (together with COMPANY), royalty-free, sublicensable (through one (1) or more tiers) license under the COMPANY Foreground Patents and the COMPANY Know-How and COMPANY's interest in any Joint Foreground Patents to research, have researched, Develop, have Developed, make, have made, use, have used, sell, have sold, offer for sale, have offered for sale, Commercialize, have Commercialized, import, have imported, export and have exported the Licensed Antibody and/or the Product(s) in the Field in the Co-Commercialization Territory;

(b) a non-exclusive, royalty-free, sublicensable (through one (1) or more tiers) license under the COMPANY Foreground Patents and the COMPANY Know-How and COMPANY's interest in any Joint Foreground Patents, to perform Development Activities worldwide, solely in accordance with the Development Plan, including MorphoSys Funded Development Activities;

(c) a non-exclusive, royalty-free, sublicensable (through one (1) or more tiers) license under any COMPANY Foreground Patents that contain only claims that recite the sequence or make reference to the sequence of the CDRs or variable regions, or portions thereof (whether or not also providing for homology to such sequences), of Licensed Antibody and/or XmAb5871 and/or any and all Indications or applications thereof to research, have researched, Develop, have Developed, make, have made, use, have used, sell, have sold, offer for sale, have offered for sale, Commercialize, have Commercialized, import, have imported, export and have exported XmAb5871 Program Antibodies worldwide for any and all fields and applications; and

(d) an option for MorphoSys, [***] after a Marketing Authorization has been obtained by COMPANY for the EU and after launch of Product in Germany, to co-Detail the Product(s) in Germany in accordance with a Germany co-Detailing agreement with customary compliance and other provisions to govern any co-Detailing in Germany (the "**Germany Co-Detailing Agreement**"). Such option shall be exercisable by written notice by MorphoSys to COMPANY. Within [***] Business Days after COMPANY's receipt of such written notice by MorphoSys, COMPANY shall enable MorphoSys' co-Detailing efforts by providing access to all necessary information, documentation and support required. Within [***] months after receipt of such information, documentation and support, the Parties shall enter into the Germany Co-Detailing Agreement, which shall include a co-Detailing plan that would be consistent with COMPANY's Commercialization Plan and strategy in the COMPANY Territory that allows MorphoSys to provide up to fifty percent (50%) of the FTEs of the Sales Representatives in Germany [***] months after agreement of such plan and as set forth in such plan, or within a timeframe otherwise mutually agreed between the Parties, the costs for MorphoSys' co-Detailing activities to be fully borne by COMPANY, details to

CONFIDENTIAL

be set forth in the Germany Co-Detailing Agreement, including the FTE rate. To the extent MorphoSys' co-Detailing costs are partly directly attributable to co-Detailing activities and partly attributable to other activities of MorphoSys (in particular Commercialization activities for products controlled by MorphoSys that are not Licensed Antibody or Product), such costs shall constitute co-Detailing costs on a pro rata basis, which calculation shall be agreed between the Parties in good faith.

2.5 Sublicenses by COMPANY. COMPANY shall be entitled to grant sublicenses under its licenses and sublicenses granted under Section 2.1, subject to all of the following and to any rights retained by MorphoSys under this Agreement:

(a) Notification/Approval of MorphoSys. With respect to the COMPANY Territory, COMPANY shall have the right to grant sublicenses without MorphoSys' prior approval, ***provided, however,*** that COMPANY shall promptly notify MorphoSys after granting a sublicense to any Third Party other than an Affiliate and shall provide MorphoSys with a copy of each such Sublicense Agreement with a Third Party within [***] calendar days for the sole purpose of verifying whether the Sublicense Agreement is in accordance with this Agreement. Such copy may be redacted as COMPANY may reasonably determine with respect to sensitive financial information and confidential information solely relating to matters or products other than Products or Licensed Antibody. MorphoSys shall ensure that no information of such copy is disclosed to any Third Party other than a counsel of MorphoSys, except solely to the extent required by applicable Laws (provided that MorphoSys shall provide COMPANY with notice sufficient to allow COMPANY to seek a protective order, and that MorphoSys shall only disclose such portion of such Sublicense Agreement as required) or to assert MorphoSys' rights under this Agreement (with any further redactions COMPANY requests that are consistent with the legal requirement, or sufficient for MorphoSys to assert MorphoSys' rights under this Agreement, meaning, that – with respect to the latter – COMPANY shall not expand such redactions in a way that limits MorphoSys' ability to assert its rights hereunder). The preceding sentence does not limit the right of MorphoSys to notify Xencor of sublicenses granted by COMPANY and to provide Xencor with a copy of such Sublicense Agreement in accordance with Section 2.3 and Section 2.5(b), redacted as provided above. With respect to the Co-Commercialization Territory, any grant of a sublicense shall require the prior written approval of MorphoSys. For clarity, Sublicense Agreements of COMPANY with its Affiliates shall be consistent with this Agreement.

(b) Consistency Requirement. COMPANY and its Sublicensees may only sublicense or further sublicense if the sublicense or further Sublicense Agreement is on terms consistent with this Agreement, including this Section 2.5. Further, COMPANY shall use Commercially Reasonable Efforts to obtain from each Sublicensee obligations in the Sublicense Agreement for the Sublicensee to comply with Section 17.7 as if the Sublicensee were COMPANY, on the same or better terms as provided for in Section 17.7 (or to avoid doubt, obligations in the Sublicense Agreement for the Sublicensee to provide the rights of Section 17.7 to COMPANY in case the Sublicense Agreement terminates, and for these to be passed on by COMPANY to MorphoSys, or if so requested, to Xencor in case this Agreement also terminates). In any event, COMPANY shall provide in each Sublicense Agreement that whatever rights (if any) and terms with respect to the subject matter of Section 17.7 are granted to COMPANY in case such Sublicense terminates shall be passed on to

CONFIDENTIAL

MorphoSys, or where provided under the Xencor Agreement and if so requested, to Xencor if this Agreement also terminates. Also in any event, COMPANY shall in each Sublicense Agreement obtain at a minimum the following: the co-Detailing option and the license to MorphoSys under COMPANY Foreground Patents as set forth under Section 2.4, including to the extent granted under those certain COMPANY Foreground Patents of the Sublicensee, shall survive in case the Sublicense Agreement terminates. In case the Sublicense Agreement terminates, there shall be a non-exclusive, royalty-free, irrevocable, sublicensable (through one (1) or more tiers without consent) license back to COMPANY under those certain COMPANY Foreground Patents as set forth under Section 2.4(b) to research, have researched, make, have made, use, have used, sell, have sold, offer for sale, have offered for sale, Commercialize, have Commercialized, import, have imported, export and have exported Licensed Antibody and/or Products; which license shall be passed on to MorphoSys or, if so requested by MorphoSys, to Xencor if this Agreement also terminates.

(c) Performance by Sublicensee(s). The activities and achievements of any Sublicensee(s) shall be counted towards each Party's performance under this Agreement.

2.6 Registration of Licenses. Each Party and each Party's Sublicensees shall have the right to register – to the extent possible under the respectively applicable Laws – the licenses granted under Sections 2.1 and 2.4 and sublicenses granted under such licenses in the respectively relevant registers. Upon the other Party's or the other Party's Sublicensee's request each Party shall provide to the other Party or the other Party's Sublicensee and execute all documents and instruments that may be required to perfect such registration of a license.

2.7 Reservation of Rights; No Implied Licenses. No right, title or interest is granted by either Party whether expressly or by implication to or under any Patents or Know-How, other than those rights and licenses expressly granted in this Agreement. Each Party reserves to itself all rights not expressly granted under this Agreement. Subject to the covenants agreed by the Parties hereunder this Agreement shall not be deemed to restrict a Party from exploiting any of its rights not expressly granted to the other Party under this Agreement.

2.8 Use of Patents and Know-How. Each Party hereby covenants that it (and its Affiliates and Sublicensees) shall not practice any Patents or Know-How (to avoid doubt, including any and all research materials provided during the Development Activities) licensed to the other Party under this Agreement, outside the scope of the licenses granted to the other Party under this Agreement.

2.9 Coordination of Sublicenses and Rights of Other Licensees With This Agreement. COMPANY shall ensure that its agreements with Sublicensees and further Sublicensees are consistent with and impose obligations consistent with the applicable terms and conditions regarding Sublicensees set forth in this Agreement, including Sections 2.5, 2.8, 2.9, 2.10, 3.8, 3.15, 4.9, 8.3(d) to (g), and 14.2 (the Sublicensee shall make an equivalent indemnification of the MorphoSys Indemnitees), and 17.3. Subject to Section 2.5(b), COMPANY shall in particular require its Sublicensees to provide to COMPANY ownership of or a non-exclusive, sublicenseable (through one (1) or more tiers) license under Sublicensee's Product Invention Patents that contain only claims that recite the sequence or make reference to the sequence of the CDRs or variable regions, or portions thereof (whether or not also

CONFIDENTIAL

providing for homology to such sequences) of Licensed Antibody and/or XmAb5871 and/or any and all indications or applications thereof, which license as sublicensed to COMPANY shall be free of additional payments (including royalties). Information provided by a Sublicensee (or of a Sublicensee provided by COMPANY) to MorphoSys under this Section 2.9 shall be treated as Confidential Information of COMPANY.

2.10 Additional Restrictions on Sublicensing. Notwithstanding each Party's sublicensing rights in this Article 2, neither Party shall be permitted to sublicense, except to Affiliates, **(i)** any of the Development Activities allocated to it under the Development Plan (other than any activities that are primarily operational in nature) related to a COMPANY Trial, MorphoSys Trial or Global Trial, and **(ii)** any Co-Commercialization rights in the Co-Commercialization Territory; both (i) and (ii) without the other Party's prior written consent.

2.11 Liability for Sublicensees. COMPANY shall monitor compliance with and enforce any Sublicense Agreements against its Sublicensees, and shall be jointly and severally liable for the operations, acts and omissions of any Sublicensee as if such operations, acts or omissions were carried out by COMPANY itself.

3. TRANSFER AND DEVELOPMENT OF PRODUCTS

3.1 Transfer of Licensed Know How. Within [***] Business Days after the Effective Date, MorphoSys shall provide COMPANY with electronic copies of the information contained in the Data Room regarding relevant MorphoSys Know-How and Xencor Know-How (the "**Initial Know-How Transfer**"). Thereafter, during the Term, to the extent there exists Xencor Know-How or MorphoSys Know-How that was not included in the Initial Know-How Transfer, and that is necessary or useful for COMPANY to conduct the Development, Manufacture and Commercialization activities under this Agreement, MorphoSys shall make available to COMPANY within reasonable time such additional Xencor Know-How or MorphoSys Know-How, including the MorphoSys Know-How and Xencor Know-How as set forth in **EXHIBIT 4A** and **EXHIBIT 4B**, as COMPANY shall reasonably request in writing.

3.2 Overview of Development; General Responsibilities. Subject to the terms and conditions of this Agreement, the Parties shall collaborate with respect to the Development of the Licensed Antibody and the Product in the Field, as provided under this Agreement and as set forth in the Development Plan, ***provided however***, that MorphoSys shall be the Sponsor of [***], in both the Co-Commercialization Territory and the COMPANY Territory, and COMPANY shall be the Sponsor of [***] all as set forth in Section 3.6 and Section 3.7 below and in the Development Plan.

3.3 Development Plan. The Parties shall conduct the Development Activities in accordance with the Development Plan and as further specified in this Agreement. The Development Plan shall set forth, among other things, the following Development Activities:

(a) preclinical studies, toxicology studies, pharmaco-economic studies and Trials evaluating the safety and/or efficacy including Phase 1 Trials, Phase 2 Trials, Phase 3 Trials, Pivotal Trials, in each case, together with all protocols, endpoints and investigators conducting such trials;

(b) Non-NDA Studies and Post-Marketing Authorization Trials and studies;

CONFIDENTIAL

(c) regulatory plans and other elements of obtaining and maintaining Regulatory Approvals;

(d) the Joint Development Budget and the qualification of each Development Activity as a Joint Development Activity, a Manufacturing Development Activity, a MorphoSys Funded Development Activity or a COMPANY Funded Development Activity (and within this qualification whether such COMPANY Funded Development Activity is a COMPANY Discretionary Manufacturing Activity);

(e) the allocation of the Joint Development Activities to be conducted by each Party and the timeline for completing such Joint Development Activities;

(f) the plans and timeline for preparing the necessary Regulatory Materials/Pricing Materials and for obtaining and/or maintaining Regulatory Approvals/Pricing Approvals in the Territories;

(g) the Manufacturing Development Activities and other Manufacturing process development activities (including CMC related activities), as well as the plans, amounts and timelines for the Manufacture and supply of Product, Placebo, combination and comparator products necessary for the Development, taking into account the respective supply chain timelines and inventory of stock; and

(h) the number of FTEs required for the performance of the Development Plan.

For the avoidance of doubt, the Development Plan shall include also Trials and regulatory plans of the Parties with respect to Sole Funded Development Activities and shall not be limited to the Co-Commercialization Territory. The Initial Development Plan attached hereto as **EXHIBIT 6** shall be updated in accordance with this Section 3.3 within [***] days of the Effective Date.

3.4 Updating and Amending Development Plan and Joint Development Budget. On or before [***] during the Term, the JDC shall submit to the JSC for approval the Development Plan (including the Joint Development Budget contained therein), which shall cover the Development Activities to be conducted during the upcoming [***] calendar years, including amendments to ongoing Development Activities, and the JDC shall, every [***] months, review, amend and update, as appropriate, the then-current Development Plan (including the Joint Development Budget) to reflect any changes, any current or forecast budget overruns, reprioritizations of, or additions to the Development Plan, always taking into account the Manufacturing capacities and commitments, and other Third Party-dependant factors. Once reviewed by the JDC pursuant to Section 9.5(c) and approved by the JSC (or otherwise decided upon pursuant to Sections 9.2(e) or 9.3), the amended Development Plan (including the Joint Development Budget contained therein) shall become effective and supersede the previous Development Plan and Joint Development Budget as of the date of such approval or at such other time as decided by the JSC (or otherwise decided upon pursuant to Section 9.2(e) or Section 9.3).

3.5 New Development Activities. From time to time during the Term, in accordance with the timelines set forth in Section 3.4, either Party may submit to the JDC an expansion of the Development Plan to cover new Development Activities (including proposals to make any Non-NDA Study a Joint Development Activity) that are not amending ongoing Joint Development Activity (e.g. a new Trial) and that are not yet included in the Development Plan with respect to the Product in the Territory in the Field for the JDC's review and referral for decision to the

CONFIDENTIAL

JSC. The proposing Party shall provide a detailed proposal for such new Development Activity, including plans for design, budget, timelines, territorial scope, supply plan for Product (and Placebo, combination or comparator product, where applicable), proposed operational responsibilities of the Parties, technical feasibility, implications for future technical development in CMC and a rationale for conducting such Development activity either as Joint Development Activity or Sole Funded Development Activity, if applicable. Once reviewed by the JDC pursuant to Section 9.5(c) and approved by the JSC either as Joint Development Activity or as Sole Funded Development Activity, the updated Development Plan (including the Joint Development Budget contained therein) shall become effective and supersede the previous Development Plan and Joint Development Budget as of the date of such approval, always taking into account the Manufacturing capacities and commitments, and other Third Party-dependant factors. Notwithstanding the foregoing, no Party shall at any time be forced into any new "Joint Development Activity" that is not just amending an ongoing Joint Development Activity (e.g. a new Trial), i.e. if a Party rejects a submitted new Development activity as a Joint Development Activity, such new Development activity may only become a Sole Funded Development Activity, which shall then be subject to the "buy-in" option set forth in Section 7.6(b). For the avoidance of doubt, any Trial described in this Section 3.5 that is solely designed or required to obtain and maintain Regulatory Approval in a jurisdiction of the COMPANY Territory shall always be regarded as COMPANY Funded Development Activity, and Development Data resulting from such Trial shall be used as set forth in Section 3.10(d).

If a Party (the "**Proposing Party**") submits to the JDC a proposed update to the Development Plan pursuant to this Section 3.5 to conduct a Trial that may support further Development or Regulatory Approval of a Product as a monotherapy or combination therapy in the COMPANY Territory and/or the Co-Commercialization Territory, and the JDC does not approve such proposed update as a Joint Development Activity within [***] days of presentation of such update to the JDC pursuant to this Section 3.5, then the Proposing Party shall have the right to conduct, fund and support the relevant proposed Trial as an Independent Trial, at its discretion and at its sole expense, and such study shall not be added to the Development Plan as a Joint Development Activity but as a Sole Funded Development Activity, subject to the following terms:

At least [***] months prior to commencing the Sole Funded Development Activity, the Proposing Party shall submit to the other Party via the JDC a detailed protocol and timeline (the "**Sole Funded Development Activity Plan**") and initial budget that outlines the anticipated Development Costs (the "**Sole Funded Development Activity Budget**"). The Proposing Party shall reasonably consider the comments provided by the non-Proposing Party's JDC representative with respect to such activities, including with respect to the design and conduct of applicable Trials and any safety or dosing concerns raised by the non-Proposing Party. If the non-Proposing Party reasonably believes that there are reasons stipulated in Section 9.2(e)(iv) or (v), and notifies this to the Proposing Party at least [***] months after the Proposing Party's submission of the detailed protocol and timeline, the Parties will refer the decision making to the JSC which will then be made pursuant to Section 9.2(e) or Section 9.3.

3.6 Specific MorphoSys Obligations regarding [***] **and Development Activities.** MorphoSys shall use Commercially Reasonable Efforts to continue to fulfil its responsibilities and conduct the Development Activities as Sponsor for [***], in accordance with applicable Laws, GCP and the Development Plan. Such conduct shall be made in close cooperation with COMPANY to the extent permitted by applicable Laws. In cases where the Parties may not

CONFIDENTIAL

reach an agreement on any activities which are directly linked to MorphoSys' responsibilities as a Sponsor of MorphoSys Trials as outlined in the Development Plan and applicable Laws, MorphoSys shall retain the right to act according to its own decision, provided that MorphoSys shall undertake all necessary efforts to take COMPANY's view into account, as far as legally feasible and subject to the final decision making authority provisions as set forth in Section 9.2(e). Without limiting the foregoing, MorphoSys shall [***] in accordance with the protocol and the timelines outlined in the Development Plan.

In addition to the obligations under Section 9.4 (Development Project Team) and Section 9.5 (Joint Development Committee), MorphoSys shall inform COMPANY regarding the status of [***], and MorphoSys' Development Activities and other relevant on-going pre-clinical activities through progress reports submitted to the JDC meetings and once yearly in writing. Such reports shall include copies of any preliminary reports and final reports and other information or data reasonably requested by COMPANY if available at the time. MorphoSys' conduct of [***], shall be regarded as Joint Development Activities and is subject to the cost sharing under Section 7.1. During the conduct of [***], MorphoSys shall provide COMPANY with reasonable advance notice and a copy of briefing material and application dossiers of any meeting or substantive telephone conference with any Regulatory Authority relating to [***], and shall, upon COMPANY's request, permit COMPANY to participate in any such meeting or telephone conference, to the extent legally permitted. In addition, MorphoSys shall **(i)** furnish to COMPANY copies of all substantive correspondence that MorphoSys receives from any Regulatory Authority in connection with [***], **(ii)** coordinate with COMPANY any substantive communication submitted to any Regulatory Authority in connection with the [***], and **(iii)** provide to COMPANY reasonably detailed minutes of any meetings or substantive telephone conferences relating to [***]. Notwithstanding the above, MorphoSys shall not be required to share with COMPANY any information which MorphoSys is not permitted to share under applicable Laws.

3.7 Specific COMPANY Obligations regarding [***] **and Development Activities.** COMPANY shall use Commercially Reasonable Efforts to fulfil its responsibilities and conduct the Development Activities as Sponsor for [***] in accordance with applicable Laws, GCP and the Development Plan. Such conduct shall be made in close cooperation with MorphoSys to the extent permitted by applicable Laws. In cases where the Parties may not reach an agreement on any activities which are directly linked to COMPANY's responsibilities as a Sponsor of such Trial as outlined in the Development Plan and applicable Laws, COMPANY shall retain the right to act according to its own decision, provided that COMPANY shall undertake all necessary efforts to take MorphoSys' view into account, as far as legally feasible and subject to the final decision making authority provisions as set forth in Section 9.2(e). For clarity, for each MorphoSys Trial, MorphoSys shall have the deciding vote for the Trial design and for COMPANY Trial, COMPANY shall have the deciding vote for the Trial design.

In addition to the obligations under Section 9.4 (Development Project Team) and Section 9.5 (Joint Development Committee), COMPANY shall inform MorphoSys regarding the status of [***] and COMPANY's Development Activities through progress reports submitted to the JDC meetings and once yearly in writing. Such reports shall include copies of any preliminary reports and final reports and other information or data reasonably requested by MorphoSys if available at the time. COMPANY's conduct of [***] shall be regarded as Joint Development Activities and is subject to the cost sharing under Section 7.1. During the conduct of [***], COMPANY shall provide MorphoSys with reasonable advance notice and a copy of briefing material and application dossiers of any meeting or substantive telephone conference with

CONFIDENTIAL

any Regulatory Authority relating to [***], and shall, upon MorphoSys' request, permit MorphoSys to participate in any such meeting or telephone conference, to the extent legally permitted. In addition, COMPANY shall **(i)** furnish to MorphoSys copies of all substantive correspondence that COMPANY receives from any Regulatory Authority in connection with [***], **(ii)** coordinate with MorphoSys any substantive communication submitted to any Regulatory Authority in connection with [***], and **(iii)** provide to MorphoSys reasonably detailed minutes of any meetings or substantive telephone conferences relating to [***]. Notwithstanding the above, COMPANY shall not be required to share with MorphoSys any information which COMPANY is not permitted to share under applicable Laws.

3.8 Diligence. Each Party shall use Commercially Reasonable Efforts **(i)** to Develop the Licensed Antibody and the Product(s) and to obtain and maintain Regulatory Approval for one (1) or more therapeutic, prophylactic or palliative Products in the Field in their respective Territory (i.e. MorphoSys in the Co-Commercialization Territory and COMPANY in the COMPANY Territory and the Co-Commercialization Territory), **(ii)** to collaborate with respect to the Development of the Licensed Antibody and the Product(s) in the Field in the Territory, and **(iii)** carry out the Joint Development Activities assigned to it under the Development Plan and in accordance with the Joint Development Budget and time frames set forth in the Development Plan. The Parties shall conduct the Development based on their respective experience, capabilities and capacity and as agreed to in the Development Plan; each Party shall utilize adequately skilled personnel to perform or oversee, as applicable, the Development and Manufacturing of the Product, in accordance with the terms of this Agreement. Neither Party shall be relieved of its diligence obligations under this Agreement by entering into Sublicense Agreements. The activities and achievements of any Sublicensee(s) shall be counted towards each Party's performance under this Agreement.

3.9 Specific COMPANY Obligations. Without limiting COMPANY's obligations in Section 3.8 above, COMPANY shall in any case:

(a) use Commercially Reasonable Efforts to achieve the milestone events as set out in Section 8.2 for Indications in the Joint Development Plan;

(b) use Commercially Reasonable Efforts to develop, at least one (1) therapeutic, prophylactic or palliative Product in [***];

(c) file an IND in [***] and perform a Trial in [***] with the intent to seek Regulatory Approval in [***]; both in a reasonable timeline;

(d) where available and commercially reasonable [***], conduct an Early Access Program for the Product in [***] in advance of the first Marketing Authorization of the Product in [***]; and

(e) conduct Trials in accordance with all applicable Laws.

The Parties acknowledge and agree that any breach of this Section 3.9 by COMPANY may constitute a Material Breach of this Agreement giving rise to the termination right set forth in Section 17.2(a).

CONFIDENTIAL

3.10 Development Data. All Development Data shall be owned and shared by the Parties as set forth in this Section 3.10:

(a) Joint Development Data shall be jointly owned by both Parties and shall be regarded as COMPANY Know-How and MorphoSys Know-How for all purposes under this Agreement and shall be regarded as the Confidential Information of both Parties. With respect to the data relating to a Party's proprietary molecule not otherwise subject to the licenses under this Agreement but included in Joint Development Data, the other Party may use such data solely in connection with the Development and Commercialization of the Product, and such data related to the proprietary molecule shall be considered the Confidential Information of the Party which owns such molecule.

(b) Sole Funded Development Data shall be owned solely and exclusively by the Party generating such data, which shall be Confidential Information of such Party.

(c) With respect to Joint Development Data generated by or on behalf of a Party, its Affiliates or Sublicensees or sublicensees, as applicable, such Party shall promptly provide the other Party with copies of reports and summaries thereof, in each case as such reports and summaries become available to such Party, its Affiliates or Sublicensees or sublicensees. Each Party will share all Joint Development Data generated by it or on its behalf, its Affiliates or Sublicensees or sublicensees, as applicable with the other Party [***], and, subject to this Section 3.10, the Party receiving such Joint Development Data is entitled to disclose such Joint Development Data to its Affiliates and Sublicensees or sublicensees, as applicable only for use inside its Territory in accordance with the terms of this Agreement. Each Party shall ensure that its Affiliates and Sublicensees or sublicensees, as applicable, agree to the disclosure of Joint Development Data to the other Party, its Affiliates and Sublicensees or sublicensees, as applicable.

(d) Each Party shall promptly provide the other Party with copies of relevant data, including safety data and medical data, from any Sole Funded Development Activity as such safety data and medical data becomes available to such Party, its Affiliates or Sublicensees or sublicensees and any other data required by Regulatory Authorities; provided, however, that such (i) safety data shall be for use in fulfilling each Party's pharmacovigilance responsibilities as set forth in Section 4.7(c) or as required by Regulatory Authorities, and (ii) medical data shall only be for use in responding to medical inquiries or as required by Regulatory Authorities, but the other Party, its Affiliates or Sublicensees or sublicensees shall not use such medical data in support of efficacy claims in any Regulatory Approval application, unless such Party has elected to the "buy-in" option set forth in Section 7.6(b). Notwithstanding the foregoing, either Party shall be free to use any such Sole Funded Development Data that is in the public domain.

3.11 Certain Additional Restrictions. Each Party agrees and acknowledges that it and its Affiliates and Sublicensees shall not conduct any Development or Regulatory Activities of the Product(s) except in accordance with a Development Plan established pursuant to this Agreement.

3.12 Allocation of Operational Work Between the Parties. The Parties shall discuss in good faith through the JDC the allocation of the activities to be performed under the Development Plan between the Parties, including for the MorphoSys Trials.

CONFIDENTIAL

3.13 Records. Each Party shall maintain current and accurate records of all work conducted by or on behalf of a Party and its Affiliates under the Development Plan, and all data and other information resulting from such work (which records shall include, as applicable, books, records, reports, research notes, charts, graphs, comments, computations, analyses, recordings, photographs, computer programs and documentation thereof (e.g., samples of materials and other graphic or written data generated in connection with such Development Activities). Such records shall properly reflect all work done and results achieved in the performance of such Development Activities in sufficient detail and in good scientific manner appropriate for regulatory and patent purposes. Such records shall be properly retained and archived according to applicable good pharmacovigilance practice, GLP, GCP and/or GMP standards. Each Party shall document such Development Activities, including Trials, to be conducted pursuant to the Development Plan, in formal written study reports upon completion of such activity according to applicable national and international (e.g., ICH, GCP and GLP) guidelines and Manufacturing. All Trial activities and Development Activities should be documented by setting up, maintaining and controlling a trial master file according to ICH-GCP and subject to an audit plan to be agreed to by the Parties.

3.14 Progress Reports; Annual Development Report.

(a) COMPANY Annual Development Report. By [***], but subject to Section 3.15, COMPANY shall provide to MorphoSys the COMPANY Annual Development Report. The COMPANY Annual Development Report shall include in reasonable detail: **(i)** a summary of COMPANY's Development Activities in the previous year (including dosage, Trial design and Trial endpoints, protocols, clinical study reports, Product being tested, technical development and quality observations; material meetings, minutes, correspondence with Regulatory Authorities relating to Licensed Antibody and/or Product(s) in the COMPANY Territory; **(ii)** MAAs relating to Licensed Antibody and/or Product(s) in the COMPANY Territory planned for filing; **(iii)** data reports; publications; conferences; all patent applications filed by COMPANY or an Affiliate relating to Licensed Antibody and/or Product(s); **(iv)** COMPANY's Manufacturing activities, if any; **(v)** actual patient and site recruitment and projections of the planned patient and site recruitment activities; and **(vi)** a summary of COMPANY's planned Development Activities in the following [***] years, to the extent available. COMPANY shall further report to MorphoSys any material change to the COMPANY Annual Development Report, including any material change, within [***] calendar days after its occurrence. Within [***] calendar days after each submission of an annual report(s) to Regulatory Authorities, COMPANY shall also provide to MorphoSys such of its (or its Affiliate's) annual report(s) relating to Licensed Antibody or Product(s). With respect to annual reports to the Regulatory Authorities relating to Licensed Antibody or Product(s) submitted to the Regulatory Authorities by a Sublicensee, COMPANY shall use Commercially Reasonable Efforts to obtain such reports and the right from such Sublicensee to share such reports with MorphoSys. MorphoSys shall treat such COMPANY Annual Development Reports and such other annual report(s) to the Regulatory Authorities from COMPANY, its Affiliate or, if applicable, its Sublicensee as COMPANY's Confidential Information and shall not distribute such report(s) to any Third Party without prior written consent by COMPANY, except that, in derogation of Section 16, Xencor will be permitted to receive such reports from MorphoSys under appropriate confidentiality provisions. COMPANY shall, within [***] Business Days, notify MorphoSys in writing once it becomes aware that patient and/or site recruitment for [***] or any Global Trials, for which COMPANY is the Sponsor, is below the

CONFIDENTIAL

projections in the latest COMPANY Annual Development Report. The Parties shall convene without undue delay and discuss in good faith potential measures and timeplans for implementation. Each Party shall have the right, but not the obligation, to intervene and provide support to the other Party in the implementation of the measures to drive patient and site recruitment for [***] and Global Trials as agreed between the Parties.

(b) MorphoSys Annual Development Report. By [***], but subject to Section 3.15, MorphoSys shall provide to COMPANY the MorphoSys Annual Development Report. The MorphoSys Annual Development Report shall include in reasonable detail: **(i)** a summary of MorphoSys' Development Activities in the previous calendar year (including dosage, Trial design and Trial endpoints, protocols, clinical study reports, Product being tested relating to Licensed Antibody and/or Product(s) in the Co-Commercialization Territory; material meetings, minutes, correspondence with Regulatory Authorities relating to Licensed Antibody and/or Product(s) in the Co-Commercialization Territory; **(ii)** BLAs relating to Licensed Antibody and/or Product(s) in the Co-Commercialization Territory planned for filing; **(iii)** data reports, publications, conferences, all patent applications filed by MorphoSys or an Affiliate relating to Licensed Antibody and/or Product(s); **(iv)** MorphoSys' Manufacturing activities, if any; **(v)** actual patient and site recruitment and projections of the planned patient and site recruitment activities; and **(vi)** a summary of MorphoSys' planned Development Activities in the upcoming [***] calendar years, to the extent available. MorphoSys shall further summarize to COMPANY any material change to the information described in the MorphoSys Annual Development Report during the next regularly-scheduled JDC meeting. Within [***] calendar days after each submission of an annual report(s) to Regulatory Authorities, MorphoSys shall also provide to COMPANY such of its (or its Affiliates) annual report(s) relating to Licensed Antibody or Product(s). With respect to annual reports to the Regulatory Authorities relating to Licensed Antibody or Product(s) submitted to the Regulatory Authorities by a Sublicensee, MorphoSys shall use Commercially Reasonable Efforts to obtain such reports and the right from such Sublicensee to share such reports with COMPANY. COMPANY shall treat such MorphoSys Annual Development Reports and such other annual report(s) to the Regulatory Authorities from MorphoSys, its Affiliate or, if applicable, its Sublicensee as MorphoSys' Confidential Information and shall not distribute such report(s) to any Third Party without prior written consent by MorphoSys. MorphoSys shall, within [***] Business Days, notify COMPANY in writing once it becomes aware that patient and/or site recruitment for Global Trials conducted in the Co-Commercialization Territory is below the projections in the latest MorphoSys Annual Development Report. The Parties shall convene without undue delay and discuss in good faith potential measures and timeplans for implementation. Each Party shall have the right, but not the obligation, to intervene and provide support to the other Party in the implementation of the measures to drive patient and site recruitment for [***] and Global Trials as agreed between the Parties.

3.15 Affiliate/Sublicensee Activities. Each Party shall include such Party's and its respective Affiliates' and Sublicensees' accomplishments and activities (past and planned) in the relevant Annual Development Report with the same level of detail as if these had been achieved and conducted by such Party.

CONFIDENTIAL

3.16 Status Updates in the Territories by Both Parties. Without limiting the foregoing obligations of each Party under Section 3.13, 3.14 and 3.15, each Party shall provide the JDC with reports detailing its respective Development Activities and Manufacturing under the Development Plan and the results thereof at least [***] prior to any JDC meeting, but in any event, on at least a calendar quarter basis. Without limiting the foregoing, each Party shall promptly, but in any event within [***] calendar days after receipt thereof, provide the other Party with copies of any material documents or correspondence received from any Regulatory Authority related to such Development Activities.

3.17 Compliance. In conducting any Development, Manufacture, Commercialization activities and Regulatory Activities under this Agreement, each of COMPANY and its Affiliates and Sublicensee(s), and MorphoSys and its Affiliates, shall: (a) use Commercially Reasonable Efforts to ensure that its employees, agents, clinical institutions and clinical investigators as well as any further entities actively involved in the conduct of development work (such as contract research organizations, contract manufacturing organizations, vendors, laboratories, etc.) comply with all applicable Laws with respect to Licensed Antibody and/or Products, including (as applicable): the Federal Food, Drug and Cosmetic Act, as amended ("**FFDCA"**), the Public Health Service Act (PHSA), the rules governing medicinal products in the European Union and including Directive 2001/83/EC and Regulation 726/2004/EC and applicable national legislation regulatory provisions regarding protection of human subjects, and, except to the extent contrary to applicable Law, the spirit and principles of the self-regulatory codes of The Pharmaceutical Research and Manufacturers of America ("**PhRMA**") and the European Federation of Pharmaceutical Industry and Associates ("**EFPIA**"), the rules relating to financial disclosure by clinical investigators, Institutional Review Boards (IRB) and independent ethics committees, GCP, GLP, GMP and Good Distribution Practices, IND regulations, and any conditions imposed by a reviewing Governmental Authority or Ethics Committee/IRB, and comparable statutes and regulatory requirements in other jurisdictions; and (b) not, to the best of its knowledge, utilize, in conducting such studies, any person or entity that at such time is debarred by, or that, at such time, is under investigation by the FDA or other Governmental Authority for debarment, exclusion, or other sanction under the U.S. FFDCA, the U.S. Social Security Act, and comparable statutes and regulatory requirements in other jurisdictions.

3.18 Compensation for Commercial Impact.

(a) If MorphoSys conducts or supports a Trial as a MorphoSys Funded Development Activity in any one or more countries of the COMPANY Territory, which Trial **(i)** enrolls at least [***] patients planned per protocol or **(ii)** enrolls less than [***] patients but cumulatively covers a total of at least [***] patients planned per protocol when taken together with other Trials conducted or supported as MorphoSys Funded Development Activities in [***] during the Term, and where in either of of (i) or (ii) such Trials target the same patient population for which a Product has, at the time such patients are enrolled, already received Regulatory Approval in any such countries and is being sold in any such countries; then, for [***] during which MorphoSys conducts or supports such Trial, MorphoSys shall compensate COMPANY for its lost profit due to lost Net Sales for such Product as calculated by COMPANY, taking into account, without limitation: [***]. In the event MorphoSys reasonably disagrees with the accuracy of the calculation provided by COMPANY, and the Finance Working Group cannot resolve the matter, MorphoSys shall have the right to refer the matter for determination by an Expert in accordance with Section 9.3, and the Expert shall decide the matter taking into consideration the above factors (A) through (F). For clarity, if a MorphoSys Funded Development

CONFIDENTIAL

Activity studies a Product in a combination treatment regimen, it shall be subject to the foregoing provisions even though such Product may be approved only as a monotherapy or for use in a different combination.

(b) If a Party conducts or supports a Trial as Sole Funded Development Activity in the Co-Commercialization Territory, which Trial **(i)** enrolls at least [***] patients planned per protocol or **(ii)** enrolls less than [***] patients but cumulatively covers a total of at least [***] patients planned per protocol when taken together with other Trials conducted or supported as Sole Funded Development Activity in [***] during the Term; where in either of (i) or (ii) such Trial targets the same patient population for which a Product has, at the time such patients are enrolled, already received Regulatory Approval in the Co-Commercialization Territory and is being sold in the Co-Commercialization Territory, then, for [***] during which such Party conducts or supports such Trial, such Party will compensate the other Party for its loss under the Pre-Tax Profit (Loss) Share due to the conduct of such Trials as calculated by the Parties through the Finance Working Group, taking into account, without limitation: [***]. In the event the Parties cannot agree on the calculation, and the Finance Working Group cannot resolve the matter, either Party shall have the right to refer the matter for determination by an Expert in accordance with Section 9.3, and the Expert shall decide the matter taking into consideration the above factors (A) through (D). For clarity, if a Sole Funded Development Activity studies a Product in a combination treatment regimen, it shall be subject to the foregoing provisions even though such Product may be approved only as a monotherapy or for use in a different combination.

4. REGULATORY ACTIVITIES AND PRICING ACTIVITIES

4.1 Diligence; Ownership of Regulatory Approvals and Pricing Approvals.

(a) General Regulatory Activities and Pricing Activities in COMPANY Territory. COMPANY shall be responsible for all Regulatory Activities and Pricing Activities and shall use Commercially Reasonable Efforts in preparing all Regulatory Materials and Pricing Materials necessary or desirable for obtaining and maintaining Regulatory Approvals and Pricing Approvals, as applicable, in the COMPANY Territory in the Field (including in connection with Labelling and Packaging for the Product in the COMPANY Territory) in accordance with the Development Plan and the COMPANY Commercialization Plan. MorphoSys shall have the right to review any essential Regulatory Materials and [***] related to the Licensed Antibody and Product and may provide advice to COMPANY on the proposed strategy and documentation for submission in the COMPANY Territory and COMPANY shall reasonably consider such comments in good faith in preparing such materials. COMPANY shall, subject to Section 4.1(c), prepare and submit such Regulatory Materials, MAAs and Pricing Materials, as applicable, to the applicable Governmental Authorities in the COMPANY Territory. Subject to Section 5.2(b), COMPANY shall use Commercially Reasonable Efforts toward obtaining and maintaining Regulatory Approvals and Pricing Approvals, as applicable, for Product as a therapeutic, prophylactic or palliative product in the countries and regulatory jurisdictions in the COMPANY Territory, in its own name, in a commercially reasonable time and manner. To the extent not prohibited by applicable Laws and feasible based on scheduling timelines, MorphoSys shall be entitled, [***], to attend key meetings and scheduled calls with the relevant Governmental Authorities

CONFIDENTIAL

in the COMPANY Territory with respect to obtaining or maintaining the Regulatory Approvals and [***], as applicable, for the Product in the Field. COMPANY shall be responsible for and [***] the Product in the COMPANY Territory and, for clarity, shall [***] to the extent MorphoSys is performing [***] or supporting [***] as agreed between the Parties. For the avoidace of doubt, the exercise of MorphoSys' rights to review materials and provide advice to COMPANY as described above shall [***].

(b) Specific Regulatory Obligations in COMPANY Territory. COMPANY shall use Commercially Reasonable Efforts to file an MAA with [***] and with the Regulatory Authorities for [***] within [***] months after final tables, listings and figures of any Pivotal Trial in any indication becoming available from a Joint Development Activity, provided such Pivotal Trial has achieved COMPANY's target product profile (including Trial efficacy endpoints, therapeutic index, and commercial potential) and such MAA is reasonably believed by COMPANY to be sufficient for obtaining Regulatory Approval. For [***], COMPANY shall use Commercially Reasonable Efforts to generate Regulatory Data that is reasonably necessary to obtain Regulatory Approval in [***], as applicable, and shall use Commercially Reasonable Efforts to file an MAA in [***], as applicable, with the applicable Regulatory Authorities within [***] months after final tables, listings and figures of the Trials for generating such data are available, provided such Trial has achieved COMPANY's target product profile (including Trial efficacy endpoints, therapeutic index, and commercial potential) and such MAA is reasonably believed by COMPANY to be sufficient for obtaining Regulatory Approval in [***], as applicable. The Parties acknowledge and agree that any breach of this obligation by COMPANY may constitute a Material Breach of this Agreement giving rise to the termination right set forth in Section 17.2(a).

(c) Regulatory Activities in the EU. Without limiting COMPANY's rights and responsibility for preparation of Regulatory Materials and Pricing Materials under Section 4.1.(a) and the draft version of the transition plan attached hereto as **EXHIBIT 17**, MorphoSys shall use Commercially Reasonable Efforts to continue to **(i)** prepare Regulatory Materials for Product in the European Region and to prepare the MAA in the name of COMPANY or its designated Affiliate and **(ii)** be the primary contact point for the EMA, including leading the registration procedure and all meetings with rapporteurs, EMA and CHMP; for the first submission of a MAA in the European Region based on the L-MIND (MOR208C203) Trial, RE-MIND Trial and RE-MIND2 Trial until the grant of such Marketing Authorization for the EU. Such continuation shall be made in close cooperation and alignment with COMPANY and COMPANY representatives shall be permitted to attend key meetings and scheduled calls between MorphoSys and the Regulatory Authorities to the extent permitted by applicable Laws, and subject to Section 9.2(e)(ii). It is the shared objective of both Parties to file the EU MAA in COMPANY's (or its Affiliate's) name no later than [***] (assuming Regulatory Authority feedback is supportive). In the event that the Parties determine that it is not reasonably possible to file the EU MAA in COMPANY's name [***], the Chief Medical Officers (or equivalent functions) of both companies shall discuss in good faith the pros and cons of delaying the MAA filing (to file at a later date in COMPANY's name) or to file in MorphoSys' name on or [***]. In the event of disagreement, the matter shall be referred to the Parties' Chief Executive Officers who shall discuss in good faith and shall reach agreement (without recourse to external Experts as described in Section 9.2(e)) whether to: **(a)** file the MAA with the EMA in the name of MorphoSys (or its Affiliate) on or before [***], or **(b)** file the MAA with the EMA in the name of COMPANY

CONFIDENTIAL

(or its Affiliate) after [***]. In the event that the Parties' Chief Executive Officers agree on option (a) as the preferred course, MorphoSys will exercise Commercially Reasonable Efforts to transfer the MAA to COMPANY (or its designated Affiliate) as soon as possible after filing. COMPANY shall be responsible for preparing and submitting all future Marketing Authorizations in COMPANY Territory.

(d) General Regulatory Activities and Pricing Activities in the Co-Commercialization Territory. MorphoSys shall be responsible for the preparation of all Regulatory Materials and Pricing Materials necessary or desirable for obtaining and maintaining Regulatory Approvals and Pricing Approvals, as applicable, in the Co-Commercialization Territory (including in connection with Labelling and Packaging for the Product in the Co-Commercialization Territory) in accordance with the Development Plan and the Co-Commercialization Plan. The Parties shall discuss and agree on **(i)** the regulatory strategy for filing and maintaining Regulatory Approvals in the Co-Commercialization Territory through the JDC and in alignment with the JCC and **(ii)** notwithstanding the provisions of Section 4.1, to the extent that [***] for sale of the Product in the Co-Commercialization Territory is/are required, the strategy for obtaining and maintaining [***] through the JCC. COMPANY shall have the right to attend meetings and scheduled calls with the relevant Governmental Authorities in the Co-Commercialization Territory and to participate in the preparation and review of any Regulatory Materials and [***]. MorphoSys shall use good faith efforts to incorporate into any Regulatory Materials and [***] reasonable comments from COMPANY. MorphoSys shall submit such Regulatory Materials, MAAs and Pricing Materials, as applicable, to the applicable Governmental Authorities in the Co-Commercialization Territory. [***]. Regulatory Activities in the Co-Commercialization Territory shall be subject to an audit plan to be agreed to by the Parties.

4.2 Ownership of Regulatory Approvals and Pricing Approvals. Subject to Section 7.1 (Development Cost Sharing) or Section 7.6 (Buy-In), all Regulatory Approvals, and Pricing Approvals, if applicable, for the Product in the Co-Commercialization Territory shall be in the name of MorphoSys and MorphoSys shall own (*i.e.*, hold the BLA and Marketing Authorization in its name) all right, title and interest in and to all such Regulatory Approvals, and Pricing Approvals, if applicable, as applicable, and all related Regulatory Materials and Pricing Materials. Subject to Section 4.1(c) and Section 6.8, all Regulatory Approvals, and Pricing Approvals, if applicable, for the Product in the COMPANY Territory in the Field shall be in the name of COMPANY and COMPANY shall own (*i.e.*, hold each applicable MAA and Marketing Authorization in its name) all right, title and interest in and to all such Regulatory Approvals, and Pricing Approvals, if applicable, and all related Regulatory Materials and Pricing Materials. The Parties shall, for the avoidance of doubt, also after receipt of Marketing Authorizations, exchange Regulatory Materials and [***] through the JDC or JCC, as applicable, and each Party may use the Regulatory Materials and [***] received from the other Party solely for maintaining Regulatory Approvals and [***], as applicable, in its respective Territory in accordance with this Agreement, provided such Party co-funded the relevant Trial in accordance with Section 7.1 or elected the buy-in in accordance with Section 7.6. Each Party shall reasonably cooperate with and provide reasonable assistance to the other Party in connection with all activities undertaken by such Party relating to obtaining and maintaining the Regulatory Approvals.

4.3 Pricing Approvals. Notwithstanding the provisions of Section 4.1, MorphoSys shall (to the extent permitted by applicable Laws) be solely responsible for and shall use

CONFIDENTIAL

Commercially Reasonable Efforts toward obtaining and maintaining Pricing Approval(s) in the Co-Commercialization Territory in its own name, in accordance with the Development Plan and the Co-Commercialization Plan. [***]. Notwithstanding the provisions of Section 4.1, to the extent that a given country or regulatory jurisdiction in the COMPANY Territory requires Pricing Approval for sale of the Product in such country or regulatory jurisdiction, COMPANY shall be solely responsible for and shall use Commercially Reasonable Efforts toward obtaining and maintaining such Pricing Approval in its own name following the receipt of the Marketing Authorization in such country or regulatory jurisdiction, subject to Section 9.7(c)(xiii). For clarity, COMPANY shall have the right to determine the timing of seeking Pricing Approval, including the right to sequence or defer seeking Pricing Approval in accordance with COMPANY'S Commercialization strategy. [***].

4.4 Reporting and Review. Each Party shall keep the other Party reasonably and regularly informed in connection with the preparation of all material Regulatory Materials and [***], Governmental Authority review of Regulatory Materials and Pricing Materials, Regulatory Approvals and Pricing Approvals, as applicable, with respect to the Product. Upon reasonable request, each Party shall provide the other Party, in a timely manner, with copies of all material notices, questions, and requests for information in tangible form which it receives from a Governmental Authority with respect to the Product; ***provided, however***, that such Party shall have the right to redact any information to the extent not related to the Product.

4.5 Price Reporting Obligations. Except as otherwise agreed by the Parties, MorphoSys shall be responsible for all federal and state government price reporting and disclosure obligations for Product sold in the Co-Commercialization Territory ("**US Government Price Calculations and Reporting**"). US Government Price Calculations and Reporting may include, but shall not be limited to, any U.S. federal, state or other jurisdiction legal reporting or compliance obligation with respect to a Product under the applicable statutes, rules, and regulatory guidance relating to the Medicaid Rebate Program, the Medicare Program, the Public Health Service 340B Program, the Department of Veterans Affairs Master Agreement, the Federal Supply Schedule contract, and applicable state or other jurisdiction laws.

4.6 Strategy; Communications. The Parties agree to coordinate, through the JDC and JCC, as applicable, the regulatory strategy for filing and maintaining Regulatory Approvals and [***] in the Co-Commercialization Territory and the COMPANY Territory. The Parties shall generally cooperate in communicating with Regulatory Authorities having jurisdiction regarding the Product in the Territory and each Party shall keep the other Party informed of planned regulatory submissions and material communications, either on its own initiative in accordance with this Agreement or as a result of such a Regulatory Authority initiating contact with such Party in connection therewith. Each Party shall promptly provide, and cause its Affiliates, its Sublicensees, and distributors to provide, the other Party with copies of regulatory submissions to, and material communications with, any Regulatory Authorities. Notwithstanding the foregoing, except as may be required by applicable Laws, neither Party shall, with respect to the Product, communicate with any Regulatory Authority regarding the Product on a significant issue, unless consistent with the Development Plan or requested or permitted in writing to do so by the other Party, or unless so ordered by such Regulatory Authority, in which case such Party shall immediately notify the other Party of such order and shall, to the extent permitted by applicable Laws, take no further actions or communicate with such Regulatory Authority further until the Parties have agreed (in the case of the Co-Commercialization Territory), or discussed (in the case of the COMPANY Territory) as to how to proceed. All communications with Regulatory Authorities regarding the Product shall be undertaken as provided for in this Agreement.

CONFIDENTIAL

4.7 Pharmacovigilance.

(a) MorphoSys Trials and COMPANY Trial. For the[***], MorphoSys shall be responsible for the collection, review, assessment, tracking and filing of information related to adverse events associated with the Product in accordance with applicable Laws and this Agreement and shall ensure that, in such Development of the Product, it will record, investigate, summarize, notify, report and review all adverse events in accordance with applicable Laws. For [***], COMPANY shall be responsible for the collection, review, assessment, tracking and filing of information related to adverse events associated with the Product in accordance with applicable Laws and this Agreement and shall ensure that, in such Development of the Product, it will record, investigate, summarize, notify, report and review all adverse events in accordance with applicable Laws.

(b) Exchange of Adverse Event Reports. Each Party shall keep the other Party informed of **(i)** any Serious Adverse Event ("**SAE**") within a reasonable period of time after such SAE is identified or reported and **(ii)** any Suspected Unexpected Serious Adverse Reaction ("**SUSAR**") as soon as reasonably possible after such SUSAR is identified or reported and in any event at the same time as any reporting of such SUSAR to any Regulatory Authority, independent of whether such SUSAR or SAE occurred under a Joint Development Activity or a Sole Funded Development Activity. The Parties shall cooperate in the preparation, review and submission of development safety update reports and periodic safety update reports. The costs of establishing and maintaining the global safety database for the Product shall be shared in accordance with the Pro Rata Percentage.

(c) Pharmacovigilance Agreement. The safety representatives from each of the Parties shall meet and agree upon a written pharmacovigilance agreement for exchanging adverse event and other safety information relating to the Product within [***] days after the Effective Date (the "**Pharmacovigilance Agreement**"); ***provided, however***, that during Development and Commercialization MorphoSys shall be responsible for maintaining the global safety database for the Product. Such written Pharmacovigilance Agreement shall ensure that adverse event and other safety information is exchanged, and pharmacovigilance obligations fulfilled, according to a schedule that will permit each Party (and its Affiliates, sublicensees or subcontractors) to comply with applicable Laws, current standards for pharmacovigilance practice and regulatory requirements. Each Party reserves the rights to qualify via an audit pharmacovigilance processes and systems. Details will be defined in the Pharmacovigilance Agreement. [***] shall be responsible for developing and maintaining core documents such as the Reference Safety Information section of the investigator brochure, aggregate safety reports (Periodic Adverse Drug Experience Report, Periodic Safety Update Reports, Development Safety Update Reports, etc.) and a core RMP; ***provided*** that [***] shall provide [***] a right to review and comment on such materials, which comments [***] shall consider in good faith. [***] shall also be responsible for global signal management in the [***] and for signal reporting in the [***]. [***] shall be responsible for signal reporting in the [***].

CONFIDENTIAL

(d) MorphoSys Obligations. For [***], (for which MorphoSys' responsibilities are addressed in Section 4.7(a) above), for which MorphoSys is the Sponsor, and for Commercialization, MorphoSys shall be responsible for the collection, review, assessment, tracking and filing of information related to adverse events associated with the Product in the COMPANY Territory or the Co-Commercialization Territory (whether or not Marketing Authorization has been achieved), in each case in accordance with applicable Laws and this Agreement, and MorphoSys shall ensure that, in the Development and Commercialization of the Product, it will record, investigate, summarize, notify, report and review all adverse events in accordance with applicable Laws, as further described in the Pharmacovigilance Agreement.

(e) COMPANY Obligations. For [***] (for which COMPANY's responsibilities are addressed in Section 4.7(a) above), for which COMPANY is the Sponsor, COMPANY shall be responsible for the collection, review, assessment, tracking and filing of information related to adverse events associated with the Product in the Co-Commercialization Territory or the COMPANY Territory (whether or not Marketing Authorization has been achieved), in each case in accordance with applicable Laws and this Agreement, and COMPANY shall ensure that, in the Development and Commercialization of the Product, it will record, investigate, summarize, notify, report and review all adverse events in accordance with applicable Laws, as further described in the Pharmacovigilance Agreement.

4.8 Governmental Authority Communications Received by a Party. Each Party shall promptly inform the other Party of notification of any action by, or notification or other information (including any notice, audit notice, inspection notice, notice of initiation by Governmental Authorities of investigations, document or information requests, inspections, detentions, seizures or injunctions concerning the Product or this Agreement) which it receives (directly or indirectly) from any Governmental Authority in the Territory, whether in relation to the Co-Commercialization Territory or in the COMPANY Territory, which **(i)** raises any material concerns regarding the quality, safety or efficacy of the Product, **(ii)** indicates or suggests a potential material liability of either Party to Third Parties in connection with the Product, **(iii)** is reasonably likely to lead to a recall, market withdrawal or market notification with respect to the Product, **(iv)** relates to expedited exchange of individual case safety reports and periodic safety reports with respect to the Product, or product complaints, and which may have an adverse impact on Regulatory Approvals or the continued Commercialization of the Product or **(v)** raises any material concerns regarding the compliance of either Party (or any of their respective Sublicensees, distributors, or subcontractors) with Laws related to the Product or this Agreement. MorphoSys shall be solely responsible for responding to any such communications relating to the Product in the Co-Commercialization Territory and COMPANY shall be solely responsible for responding to any such communications relating to the Product in the COMPANY Territory in the Field. Each Party shall reasonably cooperate with and assist the other Party in complying with regulatory obligations, including by providing to the other Party, within [***] Business Days (or such shorter period required by a Governmental Authority) after a request, such information and documentation which is in such Party's possession as may be necessary or reasonably helpful for the other Party to prepare a response to an inquiry from a Governmental Authority with respect to the Product. Each Party shall promptly provide, and ensure that its Affiliates and sublicensees provide the other Party with a copy of all material correspondence received from a Regulatory Authority specifically regarding the matters referred to above.

CONFIDENTIAL

4.9 Recall, Withdrawal, or Market Notification of Product. In the event that any Governmental Authority suggests, threatens, recommends or initiates any action to remove the Product from the market whether in the Co-Commercialization Territory or in the COMPANY Territory (in whole or in part, including in clinical Trials), the Party receiving notice thereof shall notify the other Party of such communication promptly, but in no event later than [***], after receipt thereof. Notwithstanding the foregoing, in all cases MorphoSys shall determine whether to initiate any recall, withdrawal or market notification of the Product in the Co-Commercialization Territory, and COMPANY shall determine whether to initiate any such recall, withdrawal or market notification of the Product in the COMPANY Territory, including the scope of such recall or withdrawal (e.g., a full or partial recall, or a temporary or permanent recall) or market notification; ***provided, however***, that before MorphoSys or COMPANY (as the case may be) initiates a recall, withdrawal or market notification, the Parties shall promptly meet and discuss in good faith the reasons therefor and each Party shall take the other Party's comments under good faith consideration; ***further provided***, that such discussions shall not delay any action that MorphoSys or COMPANY (as the case may be) reasonably believes has to be taken in relation to any recall, withdrawal or market notification. In the event of any such recall, withdrawal or market notification, MorphoSys or COMPANY (as the case may be) shall determine the necessary actions to be taken, and shall implement such action, with the other Party providing reasonable input (which the first Party shall in good faith consider and incorporate into any recall, withdrawal or market notification strategy) and reasonably necessary assistance, to conduct such recall, withdrawal or market notification. Without limiting the foregoing, each Party shall have the right to propose that a Product recall, withdrawal or market notification should be initiated by the other Party, but such other Party shall make the final decision whether the recall, withdrawal or market notification will be initiated in its respective Territory. Each Party shall at all times utilize a batch tracing system which will enable it to identify, on a prompt basis, customers within its Territory who have been supplied with Product of any particular batch, and to recall such Product from such customers. Details of recalls' management shall be dealt with in the Supply Agreement.

4.10 Cost Allocation re Recall; Withdrawal or Market Notification. All direct costs and expenses associated with implementing a recall, withdrawal or market notification with respect to the Product in any territory shall be allocated between COMPANY and MorphoSys as follows:

[***]

5. COMMERCIALIZATION OF PRODUCTS

5.1 Commercialization Efforts

(a) JCC Oversight. The JCC shall oversee all Commercialization of Products in the Field, both in the Co-Commercialization Territory and in the COMPANY Territory.

(b) Commercialization Principles. It is the intent of the Parties that Commercialization of Products will be conducted in accordance with the following principles, and the JCC (or JSC, or the Executive Officers, or the Expert, as applicable) shall take into account and attempt to implement the following principles in its decision-making, including in the preparation, review and approval of the Co-Commercialization Plan and the COMPANY Commercialization Plan, and any updates to and

CONFIDENTIAL

amendments of such plans, and otherwise when allocating Commercialization responsibilities between the Parties in accordance with this Agreement:

(i) MorphoSys shall have the right, but not the obligation, to provide up to fifty percent (50%) of the overall Commercialization efforts (including but not limited to market access, patient support, marketing, sales and medical affairs functions) on an FTE basis for Co-Commercialization of the Product(s) in the Co-Commercialization Territory. By way of example, MorphoSys/COMPANY may provide [***]/[***]% of the Sales Representatives, [***]/[***]% of the market access FTEs and [***]/[***]% of the medical scientific liaison FTEs out of the 100% of FTEs determined to be required for each commercial function as set forth in the Co-Commercialization Plan. The JCC shall periodically (as determined by the JCC) review the efforts contributed by each Party (including any shortfall). At least [***] months prior to anticipated launch in the Co-Commercialization Territory, MorphoSys shall notify COMPANY of the level of Commercialization effort that MorphoSys will provide in the Co-Commercialization Territory following launch.

(ii) The Co-Commercialization Plan shall include a meaningful role for both Parties. In allocating responsibilities between the Parties, the JCC (or the JSC, or the Executive Officers, or the Expert, if applicable) shall take into consideration each Party's expertise, capabilities, staffing and available resources to take on such activities, as well as the Parties' intention to provide MorphoSys an opportunity to build and expand its expertise, capabilities, staffing and available resources in connection with performing Commercialization activities allocated to it.

(iii) To the extent efforts or costs for the Co-Commercialization activities cannot be attributed solely to the Co-Commercialization of the Product(s) hereunder but are incurred partly also for activities related to product(s) that are not the Product, then such efforts and costs shall only be taken into account on a pro rata basis, which shall be agreed between the Parties in good faith.

(c) Lead Parties. In collaboration with COMPANY, MorphoSys shall lead the strategic aspects of the Parties' Commercialization of the Product in the Field in the Co-Commercialization Territory, as set forth in Section 5.3 and shall lead the overall strategic Product positioning, branding, core messaging, and overall medical congress strategy and global medical education strategy with respect to global Commercialization in the Territory. In its role as lead Party with respect to such aspects in the Co-Commercialization Territory, MorphoSys shall be responsible for, amongst other things, setting the price. For operational efforts in the Co-Commercialization Territory, the Parties will distribute the responsibilities according to the outline of the Co-Commercialization Plan as set forth in **EXHIBIT 14.** Notwithstanding the foregoing, COMPANY shall lead the operational efforts regarding Medical Affairs Activities in the Territory. COMPANY shall lead the strategic and operational efforts to Commercialize the Product in the Field in the COMPANY Territory as set forth in Section 5.2, in alignment with the overall strategic Product positioning, branding, core messaging, and overall medical congress strategy and global medical education strategy with respect to global Commercialization as set forth above. In its role as lead Party with respect to such aspects in the COMPANY Territory, COMPANY shall be responsible for among other things, setting the price. Notwithstanding anything in this Section, in case of disputes the final decision making shall be made in accordance with Section 9.2(e).

CONFIDENTIAL

(d) Activities and Participation.

(i) Each Party shall use Commercially Reasonable Efforts to execute and to perform, or cause to be performed, the activities assigned to it under the Co-Commercialization Plan and the COMPANY Commercialization Plan. The Parties shall reasonably cooperate to effectuate implementation of Commercialization of Products in the Field in the Co-Commercialization Territory as set forth in the Co-Commercialization Plan. Notwithstanding anything to the contrary contained herein, a Party or its Affiliate shall not be obligated to undertake or continue any Commercialization activities with respect to the Licensed Antibody or Products if such Party (or Affiliate) reasonably determines that performance of such Commercialization activity would violate applicable Law or if a Regulatory Authority determines that such Commercialization activities with respect to the Licensed Antibody or Product would pose an unacceptable safety risk to patients.

(ii) With respect to activities allocated to COMPANY under the Co-Commercialization Plan, COMPANY agrees to reasonably cooperate as MorphoSys may request to provide MorphoSys an opportunity to observe and participate in COMPANY's and its Affiliates' performance of such activities.

(iii) Within [***] months after commercial launch of a Product in the first of the European Major Markets, MorphoSys shall have the right to designate up to [***] representatives of MorphoSys (the "**MorphoSys Representatives**") to participate in COMPANY's (or its Affiliates') strategic planning of Commercialization of Products in the COMPANY Territory [***]. It is the intent of the Parties that any such MorphoSys Representatives shall be an integral part of the team that brings the Products to market in the COMPANY Territory. COMPANY shall use Commercially Reasonable Efforts to inform and involve the MorphoSys Representatives in COMPANY's internal strategic discussions regarding the Commercialization of Products in the COMPANY Territory, including meetings of COMPANY's (or its Affiliates') designated brand value team or equivalent, and to keep the MorphoSys Representatives informed and involved in strategic discussions regarding implementation of Commercialization of Products in the COMPANY Territory.

(e) Subcontracting.

(i) If either Party (or its Affiliate) desires to subcontract any of its assigned Co-Commercialization activities, such Party shall first discuss it with the other Party and take into account and reasonably consider using the other Party for such subcontracted activities, taking into account (balanced with other factors) the capabilities of the other Party and potential impact on costs and profits, as a potential alternative to subcontracting such activities to a Third Party. In the event that any Commercialization activity allocated to a Party under the

CONFIDENTIAL

Co-Commercialization Plan is subcontracted to the other Party (as opposed to being allocated to such Party under the Co-Commercialization Plan), then the sub-contracting Party remains ultimately responsible under this Agreement for the conduct of such activities and the subcontractor Party shall conduct such activities under the management of, and as directed by, the sub-contracting Party, consistent with the terms of this Agreement and all applicable Laws.

(ii) Notwithstanding the foregoing, the subcontracting Party (or Party whose Affiliate enters into a subcontract) shall remain liable under this Agreement for the performance of all its obligations under this Agreement and shall be responsible and liable for compliance by its subcontractors with the applicable provisions of this Agreement.

5.2 COMPANY Territory.

(a) General. Subject to the terms and conditions of this Agreement, applicable Law, Section 5.1 and the COMPANY Commercialization Plan as set forth in Section 5.2(e), COMPANY shall be solely responsible for the Commercialization of the Products in the COMPANY Territory in the Field during the Term, including:

(i) the setting of Product prices in the COMPANY Territory;

(ii) subject to Section 5.6, the selection and protection of relevant trademarks in the COMPANY Territory; and

(iii) subject to Section 4, all Regulatory Activities in connection with any Commercialization of the Products in the COMPANY Territory.

(b) Specific COMPANY Obligations. COMPANY shall use Commercially Reasonable Efforts to Commercialize at least one therapeutic, prophylactic or palliative Product in the Field in each country or jurisdiction in the COMPANY Territory in which COMPANY, its Affiliates and/or Sublicensees have received both Marketing Authorization and, if applicable, Pricing Approval for such Product(s). In particular, COMPANY shall use Commercially Reasonable Efforts to:

(i) obtain Regulatory Approvals and Pricing Approvals, and Commercialize the Product(s) in [***];

(ii) position the Product in First Line Detailing or Second Line Detailing in [***] after it has been launched;

(iii) engage in outreach activities with the goal of covering up to [***] percent ([***]%) of patient potential in [***] after the Product(s) has/have been launched; and

(iv) not promote any Product together or in close connection with a product that competes targeting the same (or a subset of the same) patient population as the Product in [***], unless such product is to be used in combination with the Product.

CONFIDENTIAL

The Parties acknowledge and agree that any breach of this Section 5.2(b) with respect to obligations relating to [***] may constitute a Material Breach of this Agreement giving rise to the termination right set forth in Section 17.2(a). For clarity, for purposes of this Section 5.2(b), with respect to [***], COMPANY's obligation to use Commercially Reasonable Efforts with respect to a given Product shall also take into account [***].

(c) Booking Sales. COMPANY shall book all sales of Product(s) in the COMPANY Territory, and shall be responsible, among other things, in the COMPANY Territory for **(i)** receiving, accepting and filing orders for the Product, **(ii)** handling all returns of the Product, **(iii)** controlling invoicing, order processing and collection of accounts receivable for the sales of the Product, and **(iv)** warehousing and distributing of Product (s), all in accordance with GAAP. If MorphoSys receives any orders for a Product in or for the COMPANY Territory, it shall refer such orders to COMPANY.

(d) Cost of Commercialization and Medical Affairs Activities in the COMPANY Territory. Subject to the terms and conditions of this Agreement, COMPANY shall be responsible for [***] in the COMPANY Territory.

(e) COMPANY Commercialization Plan. COMPANY will be solely responsible for developing a COMPANY Commercialization Plan that shall define the overall commercial strategy and detail the operational activities of COMPANY, its Affiliates and Sublicensees in the COMPANY Territory (and shall, for clarity, be consistent with the overall strategic Product positioning, branding, core messaging, and overall medical congress strategy and global medical education strategy with respect to the global Commercialization in the Territory), including:

(i) Regional go-to market models (e.g. Sales Representatives allocation, medical scientific liaisons allocation, other FTEs, spend);

(ii) Country-specific market access and pricing strategy;

(iii) Regional marketing strategy, e.g. positioning, value proposition and core messaging;

(iv) Regional specific market insights and key performance indicators;

(v) Regional medical activity plan and congresses; and

(vi) the plans and timeline for preparing the necessary Pricing Materials and for obtaining and/or maintaining Pricing Approvals in the Territories.

Such COMPANY Commercialization Plan shall be presented to the JCC and approved by the JSC, within [***] calendar days after the Effective Date.

(f) COMPANY Reports. In addition to sharing information on the Commercialization activities of COMPANY in the COMPANY Territory through the JCC, as set forth in Section 9.7(c), COMPANY shall provide to MorphoSys a verbal update on Commercialization activities in the COMPANY Territory for each JCC meeting and a written update on its Commercialization activities for the Product(s) in the COMPANY Territory on a regional or on a country-by-country basis no less than twice every calendar year. Moreover, COMPANY shall submit in writing to MorphoSys,

CONFIDENTIAL

as long as existent through the JCC, and otherwise directly to MorphoSys, such other summary reports as MorphoSys may reasonably request from time to time during the Term with respect to material activities undertaken by COMPANY for the Product(s) in the Field in the COMPANY Territory, including general market conditions and general sales information.

5.3 Co-Commercialization Territory.

(a) General. Subject to the terms and conditions of this Agreement, the Co-Commercialization Plan and the Co-Commercialization Budget, the Parties shall be jointly responsible for the Co-Commercialization of the Product(s) in the Co-Commercialization Territory, in the Field, during the Term, including:

(i) US brand strategy, US go-to market model, positioning, value proposition and core messaging,

(ii) market access activities,

(iii) patient advocacy activities,

(iv) marketing and sales activities,

(v) market insights activities,

(vi) Medical Affairs Activities,

(vii) congress and medical education activities,

(viii) subject to Section 5.6, the selection and protection of relevant trademarks in the Co-Commercialization Territory, and

(ix) subject to Section 4, all Regulatory Activities in connection with any such Co-Commercialization of the Product(s) in the Co-Commercialization Territory.

Co-Commercialization of the Product(s) will apply to all indications for which the Product(s) is/are planned to receive (according to the Development Plan and Co-Commercialization Plan) or has/have received Regulatory Approval and, if applicable, Pricing Approval, in the Co-Commercialization Territory, whether based on a Joint Development Activity or a Sole Funded Development Activity.

(b) Specific Obligations. The Parties shall use Commercially Reasonable Efforts to Commercialize at least one (1) therapeutic, prophylactic or palliative Product in the Field in the Co-Commercialization Territory as soon as Marketing Authorization and, if applicable, Pricing Approval for such Product have been received. In particular, the Parties shall use Commercially Reasonable Efforts to:

(i) position the Product in First Position Detail or Second Position Detail in the Co-Commercialization Territory,

(ii) ensure a minimum coverage of [***] percent ([***]%) of patient potential, and

CONFIDENTIAL

(iii) not promote any Product together or in close connection with a product targeting the same (or a subset of the same) patient population as the Product in the Co-Commercialization Territory, unless such product is to be used in combination with the Product.

The Parties acknowledge and agree that any breach of this Section 5.3(b) may constitute a Material Breach of this Agreement giving rise to the termination right set forth in Section 17.2(a).

(c) Booking Sales. MorphoSys or its Affiliate shall book all sales of Product(s) in the Co-Commercialization Territory in accordance with the Co-Commercialization Plan, and shall be responsible, among other things, in the Co-Commercialization Territory for **(i)** receiving, accepting and filing orders for the Product, **(ii)** handling all returns of the Product, **(iii)** controlling invoicing, order processing and collection of accounts receivable for the sales of the Product, and **(iv)** warehousing and distributing of Product(s); whereby MorphoSys or its Affiliate shall be the contractual party to the final customer. The allocation of responsibilities and activities under Co-Commercialization Plan shall be made in a manner that permits MorphoSys or its Affiliate to book all sales of Product(s) in the Co-Commercialization Territory in accordance with GAAP. If COMPANY receives any orders for a Product in the Co-Commercialization Territory, it shall refer such orders to MorphoSys or its Affiliate.

(d) Pre-Tax Profit (Loss) Share. The Parties shall equally share the Pre-Tax Profit (Loss) of the Co-Commercialization in the Co-Commercialization Territory pursuant to Section 7.7.

(e) Co-Commercialization Plan. The Parties will jointly develop and mutually agree through the JCC on a Co-Commercialization Plan and a Co-Commercialization Budget that shall define the overall commercial strategy and detail the operational activities, requirements and responsibilities of each Party. The initial Co-Commercialization Plan and Co-Commercialization Budget shall be approved by the JSC within [***] days after the Effective Date. The Co-Commercialization Plan shall be based on the Co-Commercialization Plan outline attached hereto as **EXHIBIT 14**, and the Co-Commercialization Budget shall be based on the Co-Commercialization Budget outline attached hereto as **EXHIBIT 15**, and shall include, *inter alia,*

(i) the overall strategy and the operational details of engagement of, and relationships with, all stakeholders within the Co-Commercialization Territory, including Government Officials, patient access/advocacy groups, Healthcare Professionals, education providers, medical congress organizers, and pricing and access related groups,

(ii) alignment on external spend to support the overall strategy,

(iii) alignment on number of Commercial FTEs from each Party,

(iv) the specific overall responsibility of MorphoSys for Labelling and Packaging, Distribution and logistics services in the Co-Commercialization Territory, and

(v) the specific overall responsibility of COMPANY for Medical Affairs Activities in cooperation with MorphoSys in the Territory.

CONFIDENTIAL

(f) Sales Force. Both Parties shall ensure that all Sales Representatives Detailing the Product in the Co-Commercialization Territory will be required to complete the same training and certification process. In particular, the Parties will be jointly responsible for the training of both Parties' Sales Representatives and will prepare and implement a training program and training materials for such Sales Representatives, including Detail scripts. Without limiting the generality of the foregoing, each Party shall:

(i) be solely responsible for recruiting, hiring and maintaining its sales force of Sales Representatives, including determining incentive compensations, for the Commercialization of the Product in accordance with its standard procedures and the requirements of this Agreement;

(ii) be responsible for the activities of its Sales Representatives, including compliance by its Sales Representatives with training and Detailing requirements and ensuring Sales Representatives have and maintain all credentials, licenses, or other governmental or institutional approvals necessary to engage in Detailing and related activities;

(iii) ensure that any of its Sales Representatives involved in the Commercialization of the Product will not have any legal or regulatory disqualifications, bars or sanctions, including but not limited to any suspension or revocation of required credentials, licensing, or other governmental or institutional approvals necessary to engage in Detailing and related activities, or any record of debarment, exclusion, or other sanction under the U.S. Federal Food, Drug, and Cosmetic Act, the U.S. Social Security Act, and comparable statutes and regulatory requirements in other jurisdictions; and

(iv) maintain records and otherwise establish procedures to ensure compliance with all applicable Laws and professional requirements that apply to the Commercialization of the Product.

(g) Detailing in the Co-Commercialization Territory. If either Party undertakes Detail calls promoting a product in addition to the Product, it shall comply with Section 5.3(b), and will be reimbursed following an allocation key that depends on the number of products, including the Product, that a Sales Representative discusses in such Detail call ([***]).

5.4 Legal Compliance. Each Party shall, and shall ensure that its Affiliates and sublicensees and subcontracting parties, in Commercializing the Product (s) in the Field, comply with all applicable Laws, including all applicable Regulatory Approvals for the Product in its respective Territory and have in place a compliance program consistent therewith. In addition, neither Party nor its Affiliates or sublicensees shall use in any capacity, in connection with its Commercialization of the Product hereunder, any person who has been debarred pursuant to Section 306 of the FD&C Act, or who is the subject of a conviction described in such section, and each Party shall inform the other Party in writing immediately if it or any person who is performing services for each Party hereunder is debarred or is the subject of a conviction described in Section 306 (or similar Laws outside of the US), or if any action, suit, claim, investigation or legal administrative proceeding is pending or, to such Party's

CONFIDENTIAL

knowledge, is threatened, relating to the debarment of such Party or any person used in any capacity by such Party in connection with its Commercialization of the Product(s) hereunder. Each Party shall be responsible for reporting its own expenditures in compliance with the Physician Payments Sunshine Act, subject to further agreement between the Parties as to any information exchange necessary to properly calculate and report spending on research and development which understanding shall be documented in the Co-Commercialization Plan.

5.5 Promotional Materials.

(a) COMPANY Territory. The Parties will seek to align on and discuss core messages in promotional materials (including digital communications on websites) related to the Product for use in the COMPANY Territory in accordance with the Regulatory Approvals and applicable Laws. Such coordination by the Parties is intended to ensure that such promotional materials take into account the Global Brand Strategy for the Product. The Parties shall exchange samples of regional materials only (i.e. excluding any specific country related materials) in the English language of its promotional materials related to the Product for information and comment (and each Party shall consider any such comments in good faith) prior to distributing such promotional materials (for clarity, such samples need only be submitted for each different type of promotional material, as opposed to each item of promotional material needing to be submitted). To the extent either Party wants to include any trademarks Controlled by the other Party in the promotional materials or on the Product packaging or labelling, such Party may include, upon the other Party's prior written approval only, on a royalty-free basis such trademarks and shall comply with the other Party's then-current guidelines for trademark usage, a copy of which shall be requested from the Party intending to use the Controlled trademark; provided, however, that COMPANY shall be responsible for the finalization and use of promotional materials in the COMPANY Territory. For **(i)** any media release by COMPANY referencing the Product, COMPANY shall include the statement set forth in **EXHIBIT 18** in the section containing background information on the Product; and for **(ii)** any peer-reviewed publication COMPANY shall include the identical statement set forth in **EXHIBIT 18** in e.g. the Materials and Methods section, the acknowledgements or the references at the discretion of the lead author and publisher. COMPANY shall own all right, title and interest in and to any promotional materials created by or on behalf of it hereunder relating to the Product in the COMPANY Territory.

(b) Co-Commercialization Territory. The Parties shall develop promotional materials for use in the Co-Commercialization Territory by both Parties and their Affiliates that comply with each Party's applicable policies, SOPs, the Co-Commercialization Plan, and Applicable Laws and Regulatory Approvals. Copies of all promotional materials used by COMPANY and MorphoSys and their Affiliates in the Co-Commercialization Territory shall be archived by COMPANY and/or MorphoSys, as applicable, in accordance with applicable Laws. The promotional materials developed by the Parties shall be reviewed and approved by the JCC. The JCC shall establish and implement a review process to ensure that both Parties' compliance officers and legal departments certify compliance of the promotional materials with applicable Laws and policies of the Parties. If the Parties cannot agree upon the content of a particular promotional material, the matter may be referred to the legal departments of the Parties, and then to the JCC for resolution, subject to the final approval of the Parties' respective compliance officers and legal departments. If the

CONFIDENTIAL

Parties' compliance officers or legal departments are unable to mutually approve the content of a particular promotional material in accordance with the immediately preceding sentence, then such promotional material shall include the content approved by the Party with the more conservative compliance or legal position regarding such content. The Parties shall jointly own all right, title and interest in and to any promotional materials created hereunder relating to the Product(s) in the Co-Commercialization Territory. Promotional material in the Co-Commercialization Territory shall include logos of MorphoSys and COMPANY (or the other entity marketing the Product) at equal size.

(c) Use of Promotional Materials Exclusively for the Product. The Parties will only use promotional materials, and any aspects thereof uniquely tied to the related Product, exclusively in connection with the Commercialization of such Product in the COMPANY Territory and in the Co-Commercialization Territory in the Field in accordance with the terms of this Agreement, and shall not use, or allow any other person to use, any such promotional materials except in accordance with this Agreement.

5.6 Product Marks

(a) Product Mark.

(i) The Parties shall be jointly responsible for:

(1) establishing a global branding for the Product, including identifying and selecting Product Marks and trademark standards for any Product Marks to be adopted as well as global look and feel of Products and Product packaging in the Territory ("**Global Branding**"). COMPANY and MorphoSys (and its Affiliates and sublicensees respectively) shall only use the Product Marks pursuant to the terms of this Agreement **(i)** to identify the Product(s) and **(ii)** in connection with the Commercialization of the Product(s), and COMPANY and MorphoSys shall not (and shall ensure that each of their Affiliates and sublicensees do not) use such Product Marks in the course of trade to identify, or otherwise in connection with, any other products, and

(2) aligning on a global brand strategy, which shall encompass Product positioning, alignment on core messages, discussing strategy related to commercial terms of sale, setting strategy for key opinion leader engagement ("**Global Brand Strategy**"). Such Global Brand Strategy may be updated from time to time by mutual agreement by the Parties. If the Parties do not mutually agree on the above, COMPANY shall have the right to decide on the brand strategy for the Product(s) in the COMPANY Territory, taking into account MorphoSys' comments, and the Parties shall jointly decide on the brand strategy for the Product(s) in the Co-Commercialization Territory.

(ii) The Parties shall maintain, at all times, high quality standards for all materials, products and services for which the Product Marks are

CONFIDENTIAL

used, which standards shall be no less than the standards of quality that have been maintained for the materials, products or services provided by the respective Party prior to the date of this Agreement.

(iii) To the extent permissible by Regulatory Authorities and applicable Law, COMPANY and MorphoSys shall use the same Product Mark in the COMPANY Territory and the Co-Commercialization Territory (a "**Global Product Mark**"). Any Global Product Mark, which is not an Existing Product Mark, shall be co-owned by COMPANY and MorphoSys in all countries and regions in which such Global Product Mark is applied for, registered, or used. Where joint ownership is not possible or is impracticable under applicable Laws, the Parties shall discuss in good faith possible solutions. The Parties shall only use any Global Product Mark in the form as agreed upon between the Parties. Any Existing Product Mark shall be solely owned by MorphoSys in all countries and regions in which such Existing Product Mark is applied for, registered, or used and is subject to the license in Section 2.1 (e).

(iv) [***] shall have the obligation to prepare, file, prosecute and maintain the Global Product Marks in the [***], and [***] shall have the obligation to prepare, file, prosecute and maintain the Global Product Marks in the [***]. In the event that either Party intends not to prepare, file, prosecute, or maintain a Global Product Mark in [***], such Party shall provide reasonable prior written notice to the other Party of such intention (which notice shall, in any event, be given no later than [***] weeks prior to the next deadline for any action that may be taken with respect to such Global Product Mark in [***]), and the other Party shall thereupon have the option, in its sole discretion, to assume the control and direction of the preparation, filing, prosecution, and maintenance of such Global Product Mark in [***]. Upon the continuing Party's written exercise of such option to the non-continuing Party, the continuing Party shall assume responsibility and full control for the preparation, filing, prosecution, and maintenance of any such Global Product Mark, and the continuing Party shall [***]. The non-continuing Party shall assign to the continuing Party its interest in such Global Product Mark and shall execute such documents and perform such acts, [***], as may be reasonably necessary to permit the continuing Party to file such Global Product Mark application, and/or to prosecute and/or maintain such Global Product Mark.

(v) Whether or not a Global Product Mark is adopted by the Parties, alternative Product Marks may need to be selected upon the Regulatory Authority's request, provided they are consistent with the Global Brand Strategy initially agreed between the Parties to the extent practicable. The use of an alternative Product Mark by a Party requires the prior written consent of the other Party, such consent not to be unreasonably withheld. If one of the Parties needs to use an alternative Product Mark instead of a Global Product Mark that has been adopted by the Parties, the Parties will enter into good faith negotiations on whether the application, registration and use of such alternative Product Mark is indeed feasible, in particular in view of the Global Brand Strategy agreed upon between the Parties.

CONFIDENTIAL

(vi) Any Product Marks, which are not Existing Product Marks and which are used exclusively within the COMPANY Territory shall be owned by COMPANY. COMPANY, [***], shall control the filing, prosecution, enforcement (subject to Section 5.6(b)) and maintenance of the Product Marks used exclusively in the COMPANY Territory.

(vii) Any Product Marks used exclusively within the Co-Commercialization Territory shall be owned by MorphoSys. MorphoSys, [***], shall control the filing, prosecution, enforcement (subject to Section 5.6(b)) and maintenance of the Product Marks used exclusively in the Co-Commercialization Territory.

(b) Infringement of the Product Mark. In the event that either Party becomes aware of any infringement of the Product Marks by a Third Party including, but not limited to, the existence of conflicting trademarks or company names of Third Parties in the Territory, such Party shall promptly notify the other Party and the Parties shall consult with each other in good faith with respect thereto. Neither of the Parties is under an obligation to monitor the market for Third Party use of the Product Marks. Each Party shall, at its sole discretion, have the right to determine how to proceed with respect to such infringement [***], including by the institution of legal proceedings against such Third Party, [***]. If a Party does not bring an action against such infringement of a Product Mark [***] within [***] calendar days after notification thereof to or by the respective Party, then the other Party shall have the right, but not the obligation, to bring, [***], an appropriate action [***] against any person or entity engaged in such infringement and [***]; whereby the latter Party shall not initiate such legal action without first conferring with the former Party and considering in good faith the former Party's reasons for not bringing any such action. If requested to do so, the Parties shall reasonably cooperate with any and all action initiated by the other Party, [***]. If an infringement of a Global Product Mark occurs [***], the Parties will consult fully with each other to agree on the requisite course of action.

(c) Acknowledgments. Each Party acknowledges the sole ownership by the other Party and validity of all trademarks, trade dress, logos and slogans and related elements of a Global Brand Strategy (other than jointly owned Global Product Marks) owned by the other Party and used or intended to be used in connection with the Commercialization of the Product in the other Party's Territory, in accordance with this Agreement. Each Party agrees that it will not at any time during or after the Term assert or claim any interest in, or do anything which may adversely affect the validity or enforceability of, any copyright, trademark, trade dress, logo or slogan owned by the other Party and used or intended to be used on or in connection with the marketing or sale of the Product in accordance with this Agreement. Neither Party will register, seek to register or cause to be registered any copyrights, trademarks, trade dress, logos or slogans owned by the other Party and used or intended to be used on or in connection with the marketing or sale of the Product or any variation thereof, under any applicable Laws providing for registration of copyrights, trademarks, service marks, trade names or fictitious names (including as an Internet domain name) or similar Laws, in such other Party's Territory, without the other Party's prior written consent (in its sole discretion). Each Party agrees that all use of the other Party's trademarks, names and

CONFIDENTIAL

logos will inure to the benefit of such other Party, including all goodwill in connection therewith. To the extent a Global Product Mark is used in the Co-Commercialization Territory and the COMPANY Territory, the Parties shall jointly own rights to any internet domain names incorporating the Global Product Mark or any variation or part of such Global Product Mark as its URL address or any part of such address under the country code top level domains corresponding to the countries of its respective Territory. With respect to generic top-level domains, the Parties shall jointly determine if the Global Product Mark shall be registered under the respective domains and which Party shall be entitled to register a respective domain name. Each Party shall be responsible for all costs incurred with respect to the Internet domain names registered by such Party.

(d) Sublicensee. Licenses granted by COMPANY to a Sublicensee or by MorphoSys to a sublicensee under a Product Mark or a Global Product Mark have to be consistent with this Section 5.6 and shall impose on the Sublicensee or sublicensee respectively obligations at least as strict as the Parties' obligations under this Section 5.6. Except for licenses to Affiliates of either Party, licenses under a Global Product Mark shall not be granted by either Party without the prior written consent of the other Party, which shall not be unreasonably withheld.

5.7 Display of Trade Names/Logos. To the extent legally permitted by applicable Laws and compliant with Regulatory Approvals and each Party's applicable SOPs (in each case, as approved by the JCC), all Labelling and Packaging materials, labels and Promotional Materials relating to Products in the Field in the Co-Commercialization Territory shall display the then-current MorphoSys trade name/logo in a size equal to the size of the logo of COMPANY (or the other entity marketing the Product).

6. MANUFACTURE OF PRODUCTS AND SUPPLY

6.1 General.

(a) Supply of Product through MorphoSys. Subject to COMPANY's right to [***], MorphoSys shall use Commercially Reasonable Efforts to source [***] **(i)** the demands of Licensed Antibody and Product for the conduct of the MorphoSys Trials pursuant to Section 6.2, **(ii)** to supply COMPANY with Drug Product for Development Activities other than MorphoSys Trials pursuant to Section 6.3, and **(iii)** to supply COMPANY with Drug Product for Commercialization pursuant to Section 6.4; all subject to [***]. The Parties shall use Commercially Reasonable Efforts to conclude within [***] after the Effective Date, a supply agreement (including a quality agreement to be concluded with [***] after the Effective Date) ("**Supply Agreement**"), for the clinical and commercial supply to COMPANY of the Drug Product and, where applicable, combination or comparator products. In any case COMPANY shall be responsible for Labelling and Packaging of the Product to be Commercialized in the COMPANY Territory and/or for COMPANY Funded Development Activities. At least [***] prior to the termination or expiration of [***] the Parties shall discuss in good faith either Party's responsibility and the source for further supply in the JMC.

(b) Right of COMPANY to [***]. As of the Effective Date, COMPANY shall have the right to [***]. Until such time, MorphoSys shall **(a)** continue to use Commercially Reasonable Efforts to source Drug Product [***] as set forth in Section 6.1(a) and **(b)**

CONFIDENTIAL

consult with and, subject to confidentiality obligations [***]. At the request of either Party, the Parties agree to discuss in good faith the advantages and disadvantages of having COMPANY [***] for Commercialization in COMPANY Territory or for supply for Trials in the Territory. At the request of COMPANY to [***], subject to the obligations of MorphoSys [***], MorphoSys agrees that COMPANY may have Manufactured the Licensed Antibody or the Product(s) for Commercialization in the COMPANY Territory [***] and **(A)** COMPANY shall take into account MorphoSys' reasonable commercial interests (which for purposes of this Section shall mean [***], and **(B)** MorphoSys shall use Commercially Reasonable Efforts to support COMPANY in its reasonable efforts to have such [***] to MorphoSys and COMPANY, respectively, shall be provided according to the following:

(i) Unless otherwise agreed between the Parties, MorphoSys shall supply the Co-Commercialization Territory and MorphoSys Trials [***], COMPANY shall supply COMPANY Territory for Commercialization in the COMPANY Territory [***], and supply for COMPANY Funded Development Activities, COMPANY Trial and Global Trials to be agreed between the Parties;

(ii) Unless otherwise agreed between the Parties, MorphoSys shall use Commercially Reasonable Efforts to support COMPANY in obtaining Third Party licenses which may be needed for the Manufacture of Product on COMPANY's behalf, [***], if applicable, [***]; for clarity, all other costs of the direct supply under this Section 6.1(b) shall be borne by [***]; ***provided that*** MorphoSys shall use Commercially Reasonable Efforts to [***];

(iii) The Parties shall cooperate and align in their negotiations [***] in order to [***]; in any case, the terms of [***] to MorphoSys or COMPANY under an [***] shall [***];

(iv) The Parties shall [***];

(v) The Parties shall agree on a mechanism to share any Product-specific equipment, cell lines and resins used [***] to maximize efficiency;

(vi) The Parties shall consult, cooperate and align on process improvements or changes to ensure that the Manufacturing processes do not diverge;

(vii) In the event that the Manufacturing process needs to be changed for one or more countries, the Parties shall keep each other informed about such changes and secure access to such changed process for the other Party upon request; and

(viii) The Parties shall aim to keep a common master dossier, and if not possible, consult, cooperate and align how to achieve creation and maintenance of the dossiers efficiently and to the benefit of both Parties.

Without limiting COMPANY's right to have Manufactured the Licensed Antibody or the Product(s) for Commercialization in the COMPANY Territory [***], the Parties will agree

CONFIDENTIAL

in good faith on the details of the transition and implementation of the [***] the Supply Agreement. COMPANY will use Commercially Reasonable Efforts to support MorphoSys in its efforts to [***] in accordance with the above (i) to (viii).

6.2 Clinical Supply for the MorphoSys Trials. MorphoSys shall use Commercially Reasonable Efforts to source and to supply the demands of GMP-compliant (if legally required) Licensed Antibody and Finished Drug Product, and if applicable Placebo, combination or comparator product(s) (including Labelling and Packaging) for the conduct of the MorphoSys Trials, subject to [***]. All costs related to such supply shall be regarded as [***].

6.3 Clinical Supply for Further Clinical Development. MorphoSys shall use Commercially Reasonable Efforts to [***] the demands of GMP-compliant (if legally required) Drug Product and Placebo in accordance with the Development Plan and the Supply Agreement **(i)** for the conduct of Joint Development activities other than the MorphoSys Trials, including COMPANY Trial, and **(ii)** for the conduct of any Sole Funded Development Activity, provided that the supply for the purposes of (i) above shall have preference to the supply for the purposes of (ii) above, and provided further that MorphoSys' above obligation to use Commercially Reasonable Efforts to source Drug Product shall no longer apply with respect to supply in the COMPANY Territory once COMPANY directly sources Product [***]. Supply with Drug Product and Placebo for Joint Development Activities under this Section 6.3 shall be regarded as [***], whereas Supply with Drug Product and Placebo for COMPANY Funded Development Activities will be [***]. Combination products Controlled by a Party and used for Joint Development Activities shall be provided by such Party [***]. Labelling and Packaging of the Drug Product for Global Trials that are Joint Development Activities shall be discussed in the JMC and the associated costs shall be regarded as [***].

6.4 Commercial Supply. MorphoSys shall use Commercially Reasonable Efforts to source Drug Product [***] the demands of GMP-compliant Drug Product for Commercialization in the COMPANY Territory and the Co-Commercialization Territory, provided that MorphoSys' above obligation to use Commercially Reasonable Efforts to source Drug Product shall no longer apply with respect to supply in the COMPANY Territory once COMPANY [***]. Supply of COMPANY with Drug Product for Commercialization in COMPANY Territory will be [***]. Supply of COMPANY with Drug Product for Commercialization in the Co-Commercialization Territory will be [***]. In case of a Technology Transfer to the COMPANY or to another Third Party manufacturer under a COMPANY Discretionary Activity according to Section 6.6(c), COMPANY shall use Commercially Reasonable Efforts to source Drug Product and to supply the Parties with GMP-compliant Drug Product for Commercialization in the Co-Commercialization Territory, if necessary according to the Co-Commercialization Plan. Supply in such a case will be [***], subject to a supply agreement to be mutually agreed between the Parties in good faith; in addition Section 6.6(c) shall apply with regard to [***].

6.5 Forecasting and Ordering. For the supply of Product through MorphoSys, COMPANY shall provide its forecasts in alignment with its capacity reservation plan, and submit binding orders for clinical and commercial demand of Drug Product, both with respect to the COMPANY Territory and the Co-Commercialization Territory, to MorphoSys in sufficient time before MorphoSys is required to submit its forecast and [***] so that MorphoSys can forward COMPANY's [***] for Manufacturing campaigns in accordance with the timelines of [***]. MorphoSys shall use Commercially Reasonable Efforts to supply COMPANY with Drug Product [***].

CONFIDENTIAL

6.6 Technology Transfer to COMPANY or Third Party.

(a) General. If after discussion in the JMC and decision of the JSC, and subject to COMPANY's final decision-making authority set forth in Section 9.2(e)(ii)(3), there will be a transfer of [***] ("**Technology Transfer**"), MorphoSys agrees to use Commercially Reasonable Efforts to **(i)** [***] **(ii)** support the Technology Transfer to COMPANY or COMPANY Affiliate or a Third Party manufacturer, [***]. For any Technology Transfer or further technology transfer (for clarity, including transfers pursuant to Section 6.6(b) and 6.6(c) Sections 6.1(b)(ii), 6.1(b)(iii), 6.1(b)(vi) and 6.1(b)(vii) shall apply. Any other technology transfer than the Technology Transfer will be subject to the mutual agreement of the Parties, provided that such technology transfer [***]. MorphoSys has not taken, and shall not take, any actions [***] described in this Section 6.6. No more than [***] time during any [***] month period, MorphoSys shall have the right to request and obtain, in accordance with the Supply Agreement, a technology transfer of the Manufacturing Process of the Product from COMPANY or any of its Affiliate or Third Party manufacturer, to MorphoSys, a MorphoSys Affiliate or any Third Party within a reasonable time after request, [***] if COMPANY desires at a later point in time to source Licensed Antibody or Drug Product from MORPHOSYS, a MorphoSys Affiliate or the Third Party. COMPANY's right to the Technology Transfer to a Third Party under this Section shall be conditioned upon COMPANY ensuring that the new applicable Third Party agreement shall provide for at least one (1) further technology transfer to MorphoSys, its Affiliates or Third Party manufacturer, and COMPANY using Commercially Reasonable Efforts to obtain the right to additional technology transfers. In order to facilitate such future technology transfer, [***], COMPANY shall **(A)** allow MorphoSys to be present in person during the performance of the key steps of the Technology Transfer, and in any case during the rendering of in-person advice and instructions [***] in the course of the Technology Transfer, and **(B)** upon request of MorphoSys provide to MorphoSys access to the Manufacturing documentation.

(b) Technology Transfer for Development or Commercial Supply for both Parties. If both Parties agree (for clarity, beyond the discussions in the JMC and the JSC where neither Party shall have the final say and, for clarity, this Section 6.6(b) shall not limit the right of COMPANY to pursue a Technology Transfer [***] pursuant to Section 6.6(a) or Section 9.2(e)(ii)) that a Technology Transfer or a further technology transfer to a Third Party for Development or Commercial supply will be pursued for supply of both Parties as provided under this Agreement, the Parties will discuss and agree on the Third Party manufacturer or COMPANY or COMPANY Affiliate to be the manufacturer as sole or second supplier of Product; except as otherwise agreed by the Parties, such agreed Technology Transfer or further technology transfer will be regarded as [***]. Supply by a Third Party manufacturer or by COMPANY or an Affiliate as manufacturer shall be charged as follows: if such supply is for the **(i)** Co-Commercialization in the Co-Commercialization Territory, the related costs [***] and/or **(ii)** Trials for the Co-Commercialization Territory and/or Global Trials, the related cost [***]. In addition, [***].

(c) Technology Transfer for Development or Commercial Supply for COMPANY. If COMPANY requests to initiate a Technology Transfer or a further technology transfer in connection with the Development or Commercial supply in the COMPANY Territory, it shall bring this request to the JMC for discussion and decision by the JSC. If the JSC decides in accordance with Section 9.2(e)(ii)(3) that COMPANY

CONFIDENTIAL

may pursue such transfer, COMPANY shall designate itself, an Affiliate or a Third Party manufacturer, in each case that is acceptable, in case of a Technology Transfer [***]; the activities relating to such requested Technology Transfer will be regarded as [***]. In case of such transfer, COMPANY shall ensure that, if MorphoSys desires at a later point in time to source Licensed Antibody or Drug Product from the COMPANY, COMPANY's Affiliate or its Third Party manufacturer, as the case may be, for the **(i)** Co-Commercialization in the Co-Commercialization Territory at [***] and/or **(ii)** Trials for the Co-Commercialization Territory and/or Global Trials at [***]; the cost for such respective supply shall [***] and COMPANY shall use Commercially Reasonable Efforts to ensure such supply to MorphoSys would be [***], for which COMPANY sources the Licensed Antibody or Drug Product from such manufacturer or Manufactures itself for the COMPANY Territory; ***provided, however***, that **(A)** the Parties will agree in good faith [***].

(d) Supply after a Technology Transfer [***] **or after a further technology transfer.** In case of a Technology Transfer or a further technology transfer to a Third Party manufacturer by either Party (the "**Transferring Party**"), the Transferring Party shall, through the JMC, keep the other Party (the "**Non-Transferring Party**") closely informed regarding the negotiation and execution of the supply agreement between the Transferring Party and the Third Party manufacturer and shall reasonably consider the Non-Transferring Party's input thereto. The Transferring Party shall use Commercially Reasonable Efforts to ensure that, if the Non-Transferring Party is or will be supplied by the Transferring Party by use of such Third Party manufacturer, that the Non-Transferring Party shall receive the benefit of any rights and remedies with respect to damages and indemnification that are available to the Transferring Party in respect of such Third Party manufacturer's breach of representations or warranties or other obligations under such supply agreement, to the same extent as the Transferring Party. In case the Non-Transferring Party seeks to be supplied by the Transferring Party by use of the Transferring Party's Third Party manufacturer, the Parties will negotiate in good faith a supply agreement between the Parties, which supply agreement shall comply with and implement the principles for liability and indemnification as set out [***], as applicable, including if the Third Party manufacturer under such supply agreement is [***]. In case of a Technology Transfer or a further technology transfer not to a Third Party manufacturer but to either Party for such Party's own Manufacture and in case such Party also supplies the other Party, the Parties shall negotiate a supply agreement between the Parties for such supply, which supply agreement shall comply with and implement the principles for liability and indemnification as set out [***], as applicable.

6.7 [***] **Supply.** Subject to Section 6.4, except to the extent that **(i)** COMPANY sources product directly for the COMPANY Territory [***] pursuant to Section 6.1(b), or **(ii)** that COMPANY, any Affiliate of COMPANY, or a Third Party supplies the Product after a Technology Transfer pursuant to Section 6.6 above, MorphoSys and COMPANY shall and shall ensure that its Affiliates, Sublicensees and distributors source and purchase all of their clinical and commercial requirements of the Product for Development Activities, including for MorphoSys Funded Development Activities and COMPANY Funded Development Activities or for Commercialization via MorphoSys [***]. Without limiting the foregoing, subject to Section 6.6(a) and (c), as of the Effective Date COMPANY shall have the right to identify and qualify a [***] manufacturer for eventual clinical and commercial supply for the COMPANY Territory following any Technology Transfer after reasonable consultation with MorphoSys, but in any

event at COMPANY'S sole discretion. To the extent legally permissible, MorphoSys and its Affiliates shall not, and MorphoSys shall use Commercially Reasonable Efforts to ensure that its Sublicensees and distributors do not, supply any Third Party with the Licensed Antibody or Product for [***] supply of the COMPANY Territory.

6.8 CMC Data. In the case where MorphoSys sources Drug Product [***] and supplies the demands of Drug Product for Commercialization in the COMPANY Territory, the Co-Commercialization Territory, or Global Trials, MorphoSys will [***] to obtain [***] the CMC related sections of the dossier, as necessary to prepare Regulatory Materials for the European Union and, upon COMPANY's request and to the extent possible, also for any other jurisdictions in the COMPANY Territory. MorphoSys shall own and MorphoSys shall maintain the master dossier for the Co-Commercialization Territory and MorphoSys and COMPANY shall co-own and MorphoSys and COMPANY shall jointly maintain the master dossier for the COMPANY Territory, in each case to the extent legally possible, and Parties shall discuss in good faith whether the master dossier shall be co-owned at a certain point in time. Related CMC activities reasonably useful for the MorphoSys Trials and Global Trials will be regarded as [***]; related CMC activities not reasonably useful for the MorphoSys Trials and Global Trials will be regarded as [***]. Certain confidential CMC information that is not specific to the Licensed Antibody or Drug Product (e.g., manufacturing trade secrets) may be provided by [***] directly to Regulatory Authorities and may not be disclosed to [***]. For the avoidance of doubt, the Parties shall exchange CMC information through the JMC and each Party may use CMC information received from the other Party. In the case where more than one Party is responsible for supply, either under each Party's supply relationship [***] or under each Party's supply relationship with a Third Party manufacturer or COMPANY or COMPANY Affiliate, the Parties shall aim to keep a common master dossier, and if not possible consult, cooperate and align how to achieve creation and maintenance of the dossiers efficiently and to the benefit of both Parties.

7. SHARING OF JOINT DEVELOPMENT COSTS AND PRE-TAX PROFIT (LOSS) SHARE

7.1 Development Costs Sharing Principle. Beginning as of the Execution Date the Parties shall share all Joint Development Costs set forth in the Development Plan in accordance with the Pro Rata Percentage as set forth in the applicable Development Plan. Joint Development Costs will be shared on a GAAP accrual basis, so that each Party can accurately report expenses in its financial statements. Each Party shall invoice the other Party by providing copies of all invoices received from Third Parties and records of the number of FTEs, in accordance with Section 7.8. ln order to ensure that the Parties have received sufficient funds, Development Costs will be shared once they are incurred and invoiced by a Party or invoiced by a Third Party. For the avoidance of doubt, Development activities carried out by MorphoSys prior to the Execution Date may not conform with the Development Plan inasmuch as the Development Plan first came into existence as of the Execution Date.

7.2 Development Costs not shared. All Development costs and Manufacturing costs for [***] Funded Development Activities shall be [***]. All Development costs and Manufacturing costs for [***] Funded Development Activities (including, for the avoidance of doubt, [***]), shall be [***].

7.3 Development and Co-Commercialization Budget Overruns. Each Party shall promptly inform the other Party upon determining that it is likely to exceed the budget amounts

CONFIDENTIAL

set forth in the annual Joint Development Budget or in the Co-Commercialization Budget (each a "**Budget**"). To the extent that a Budget for a particular calendar year is exceeded by less than [***] percent ([***]%), each Party shall bear its share of such excess amount as set forth in Section 7.1 and Section 7.7(a), as applicable. To the extent that a Budget for a particular calendar year is exceeded by more than [***] percent ([***]%) (such excess over [***] percent ([***]%), the "**Excess Amount**"), COMPANY shall fully bear its share of such Excess Amount; and COMPANY shall also initially (subject to the following) bear MorphoSys' share if MorphoSys so requests the company to do so, subject to repayment as follows. COMPANY shall deduct such MorphoSys share of such Excess Amount (or parts of it, as applicable) from future milestone and/or royalties payments due to MorphoSys under this Agreement, provided that no milestone payment may be reduced by more than [***] percent ([***]%) and no royalty payments shall be reduced to represent less than [***] percent ([***]%) of Net Sales at any time. In the event that any portion of the Excess Amount of MorphoSys that was borne in accordance with the previous sentence by COMPANY remains outstanding and not reimbursed to COMPANY for [***] months or longer, then COMPANY may invoice MorphoSys for payment of such portion, plus interest on such amount at an annual rate of [***] percent ([***]%) from the date the payment to MorphoSys by the COMPANY was originally due, and MorphoSys shall pay to the COMPANY any such invoiced amount in accordance with Section 8.5.

7.4 Calculation of Development Costs Sharing, Forecasts and Currency.

(a) Within [***] Business Days of the end of any calendar quarter, each Party shall submit a calculation of all Joint Development Costs (including accurate records and books of accounts containing all data reasonably required for the calculation and verification of FTEs used by each Party in accordance with GAAP and the Development Plan) in accordance with GAAP on an accrual basis, incurred by such Party which may be subject to a reimbursement or cost sharing under this Agreement.

(b) In addition, each Party shall submit an updated forecast of the Joint Development Costs for the next [***] calendar quarters. Each Party shall be entitled to audit the cost calculations claimed by the other Party under this Section 7.4 and the audit provisions set forth in Section 8.3(g) shall apply mutatis mutandis to any such audit.

(c) Joint Development Costs incurred in Euros or US dollars shall not be converted and shall be payable in Euros or US dollars, as the case may be, whereas Joint Development Costs incurred in other currencies than Euros or US dollars shall be converted to US dollars using [***]. The Party incurring such Joint Development Costs shall provide to the other Party a true, accurate and complete report of the [***] exchange rate used in the calculation. All payments will be made without deduction of exchange, collection or other charges.

7.5 Development and Commercial FTE Costs. With respect to Development or Commercial-related FTE costs, which a Party is obligated to bear and then submit to the other Party for sharing or reimbursement, as the case may be, each Party shall calculate its costs using the relevant FTE Rate as set forth in Section 1.29 and Section 1.58, respectively.

CONFIDENTIAL

7.6 Sole Funded Development Activities and Data Buy-In Mechanism.

(a) Responsibility for Sole Funded Development Activities. Subject to Section 3.5, each Party shall be fully responsible for its Sole Funded Development Activities.

(b) Sole Funded Development Data Buy-In Option. Either Party (such Party, the "**Buy-In Party**") shall have the right to use the other Party's Sole Funded Development Data the same way it may use Joint Development Data under this Agreement (including, for clarity, Sole Funded Development Data resulting from Non-NDA Studies that are Independent Trials), subject to the payment of **(i)** a buy-in fee constituting [***] incurred as of delivery of the buy-in notice (including internal and Out-of-Pocket Costs) for such Development activities that it would have otherwise been required to pay in accordance with the Pro Rata Percentage if such Development activities had been Joint Development Activities and **(ii)** its Pro Rata Percentage of Development Costs that are incurred after delivery of the buy-in notice whereby, with effect as of delivery of the buy-in notice, **(A)** such Development Costs shall be considered part of Joint Development Costs, **(B)** the respective Development activity shall be considered part of the Joint Development Plan, and **(C)** budget overruns shall be considered Budget overruns as governed by Section 7.3. Such buy-in payment shall entitle the Buy-In Party to use only the Development Data of the Sole Funded Development Activity that the Buy-In Party elected to participate in and so paid for.

7.7 Co-Commercialization Costs – Pre-Tax Profit (Loss) Share.

(a) Principles. The Parties shall share Pre-Tax Profit (Loss) as follows: **(i)** MorphoSys shall be entitled to (and bear) fifty percent (50%) of Pre-Tax Profit (Loss); and **(ii)** COMPANY shall be entitled to (and bear) fifty percent (50%) of Pre-Tax Profit (Loss) ("**Pre-Tax Profit (Loss) Share**"). The Pre-Tax Profit (Loss) calculation shall exclude [***]. It is further understood that allowable costs to be deducted from Net Sales in the Co-Commercialization Territory as set forth in the Definitions of Pre-Tax Profit (Loss) and Pre-Tax Profit (Loss) Share shall include [***]. To the extent any Commercialization activity is conducted in the Co-Commercialization Territory (or an External Cost or Commercial FTE cost is incurred) in support of Product(s) but also in support of other products, services or efforts of a Party or are not solely attributable to Product(s), then the External Costs and Commercial FTE costs thereof shall be only included in the Pre-Tax Profit (Loss) calculation as allowable costs pro rata for Product.

(b) Report of Costs under the Pre-Tax Profit (Loss) Share. The Parties shall furnish to each other a written report for [***] showing the [***]; in each case, solely to the extent incurred with respect to the Co-Commercialization Territory during such [***]. Such reports shall be furnished in reasonable detail for performing the Pre-Tax Profit (Loss) Share calculation. Such reports shall be due no later than [***] calendar days following the end of each [***].

(c) Report on Net Sales in Co-Commercialization Territory and Reconciliation Calculation. MorphoSys shall compile and furnish to COMPANY a written report for each [***] showing the amount and calculation of the Net Sales for such [***] in the Co-Commercialization Territory. The report shall include gross sales and the calculation of Net Sales thereon, including the amount of any deductions provided for in the definition of Net Sales (broken down by category as enumerated in such definition). In addition, MorphoSys shall perform a reconciliation calculation to ensure that each

CONFIDENTIAL

Party bears and receives its share of Pre-Tax Profit (Loss) as set forth under this Agreement. Such report shall be due no later than [***] calendar days following the end of each [***] and such reconciliation calculation shall be due no later than [***] calendar days following the end of each [***]. The reconciliation procedures shall also include for each Party to keep the other Party informed [***], on a regular ongoing basis, about forecasts of Net Sales of Product(s) in the Co-Commercialization Territory and forecasts of Pre-Tax Profit (Loss) in the Co-Commercialization Territory. In addition, taking into account the reasonable need of COMPANY to have such information for revenue forecasts and guidance, MorphoSys shall provide to COMPANY on a regular, ongoing basis, [***] estimates with regard to the Net Sales levels in the Co-Commercialization Territory.

(d) Reconciliation Payment. The amounts resulting from the reconciliation calculation of the Pre-Tax Profit (Loss) Share under Section 7.7(c) shall be payable for each [***] after performance of such calculation as set forth in Section 7.7(c) by MorphoSys or, as applicable, by COMPANY, within [***] calendar days of receipt of a respective undisputed invoice of the other Party. All items of the Pre-Tax Profit (Loss) Share being part of the reconciliation calculation in currencies other than US dollars shall be converted into US dollars by using the average closing exchange rate reported by Bloomberg for the respective quarter.

(e) Audits. Each Party shall be entitled to audit the cost reports and calculations of the Pre-Tax Profit (Loss) claimed by the other Party under this Section 7.7 and the audit provisions set forth in Section 8.3(f) shall apply mutatis mutandis to any such audit.

(f) Record Keeping. MorphoSys shall keep and shall ensure that its Affiliates and Sublicensees keep, in accordance with GAAP, books and accounts of record in connection with the sales and other dispositions of Products in the Co-Commercialization Territory (including use in Trials, or provision on a compassionate use basis or as marketing samples) in sufficient detail to permit accurate determination of all figures necessary for verification of the Pre-Tax Profit (Loss) Share hereunder. MorphoSys and its Affiliates and Sublicensees shall maintain such records for a period of at least [***] years after the end of the [***] in which they were generated and make such records available upon request following the audit provisions set forth in Section 8.3 (g) which shall apply mutatis mutandis to any such audit.

7.8 Finance Working Group. Within [***] calendar days after the Effective Date, each Party shall appoint two senior finance representatives who shall together form a joint working group (the "**Finance Working Group**"), which shall report to the JSC. The Finance Working Group shall include individuals from each Party with expertise in the areas of accounting, cost allocation, budgeting and financial reporting. The Finance Working Group shall be responsible for: **(i)** coordinating and conducting the accounting, reporting, reconciliation and other related activities set forth in this Agreement, **(ii)** advising and providing support to the JSC, and the other committees if applicable, with respect to financial, accounting, budgeting, reporting and other issues that may arise in connection with the various plans and corresponding budgets for activities hereunder, **(iii)** reviewing relevant FTE costs and External Costs incurred by the Parties and their Affiliates hereunder, **(iv)** recommending for approval by the JSC any changes to reporting procedures, **(v)** coordinating or performing the budgeting, consolidation, completion and review of the Pre-Tax Profit (Loss) Share in accordance with the reconciliation procedures set forth in Section 7.7 and as set forth in the Definitions of Pre-Tax Profit (Loss)

CONFIDENTIAL

and Pre-Tax Profit (Loss) Share, including budgeting and calculation of allowable costs, **(vi)** performing and reviewing calculations for the reconciliation of payments, **(vii)** reviewing and detailing the reconciliation methodology and Pre-Tax Profit (Loss) Share calculation and determination of allowable costs, and recommending for approval by the JSC any changes to such methodology, determination and details, **(viii)** coordinating audits, and discussing and attempting to resolve discrepancies or issues arising from such audits. If the Finance Working Group does not approve such methodologies and costs brought forward by a Party or is unable to resolve any disputes or differences, the matter shall be brought to the JSC. For any Dispute unresolved by the JSC related to Commercial Manufacturing Costs in the COMPANY Territory referred to in Section 6.4, if the Executive Officers are also unable to resolve such Dispute, such Dispute shall be directly brought to the Expert for decision under Section 9.3. For the purpose of the reporting due under Sections 7.4(a) and 7.7, each Party shall provide the actual number of their FTEs (per Trial and per function) having worked for such Party in performance of this Agreement to the extent such FTEs are to be included in defined costs to be allocated between the Parties under this Agreement. The Finance Working Group will agree on a process to provide each Party with all necessary information that is required to close each respective Party's books under the applicable GAAP.

8. FINANCIAL TERMS

8.1 License Fee and Contribution.

(a) Initial License Fee. COMPANY shall pay to MorphoSys a one-time, non-creditable, non-refundable, upfront and initial license fee of US dollar seven hundred fifty million (USD 750,000,000). This initial license fee shall be due on the Effective Date and payable by COMPANY within [***] Business Days after the Effective Date.

(b) Contribution to Equity. COMPANY shall purchase from MorphoSys ordinary shares of MorphoSys in bearer form with no par value and a notional value attributable to each share of €1.00 in the form of American Depositary Shares against a total consideration of US dollar one hundred fifty million (USD 150,000,000), subject to the terms and conditions of **EXHIBIT 16**.

8.2 Milestone Payments.

(a) Development / Regulatory Milestones. COMPANY shall pay the following non-refundable and non-creditable milestone payments to MorphoSys, each due upon the first achievement of each milestone event indicated below (whether achieved by or on behalf of either Party or its Affiliate, Sublicensee or any other entity acting on behalf of any of them) with respect to the first Product achieving such milestone event. COMPANY shall notify MorphoSys upon achievement of any milestone event as set

CONFIDENTIAL

forth below and shall pay the applicable milestone payment within [***] calendar days of achievement of such milestone event:

Oncology:	
Milestone event	**Milestone payment (in US dollars)**
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
Total oncology development & regulatory milestones	**535 million**

Autoimmune Indications:**	
Milestone event	**Milestone payment (in US dollars)**
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
Total autoimmune development & regulatory milestones	**205 million**

CONFIDENTIAL

AutoImmune Indications Alternative Milestones*:**

[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

For each Regulatory Approval referred to in this table, "Approval" shall mean a final or a conditional approval or approval on exceptional circumstances.

Each milestone payment would be payable only upon first achievement of such milestone for the first Product and no amounts would be due for subsequent or repeated achievements of the same milestone by another Product.

If any milestone event occurs without one of the preceding milestone events occurring in such country, the milestone payment to be made in such country with respect to the preceding milestone event would be paid at the same time as the payment for the

CONFIDENTIAL

subsequent milestone event. For example, if there is a filing of the first MAA in the 1st Autoimmune Indication, any Phase 1, Phase 2, or Phase 3 Trial milestones for such 1st Autoimmune Indication, if not previously paid, shall be paid at the time of such first MAA filing. *COMPANY would pay [***] percent ([***]%), [***] percent ([***]%) and [***] percent ([***]%) of each European approval milestone upon achievement of Pricing Approval in each of the [***], respectively.

**COMPANY would only pay these autoimmune milestones listed above if they are triggered based on a Trial that is a COMPANY Funded Development Activity.

***COMPANY would only pay these autoimmune milestones listed above if they are triggered based on a Trial that is a Joint Development Activity, in both cases excluding any non-NDA Studies.

For all purposes under this Section, whether an Indication is "1st", "2nd", "3rd" or "4th" (if applicable) for any given milestone event will be determined not based on which Indication started first in development, but on which indication first achieves the milestone event.

(b) Sales Milestones. COMPANY shall notify MorphoSys upon achievement of any milestone event as set forth below and, within [***] calendar days of the first (1st) occurrence of any of the following milestone events, COMPANY shall make the following one-time, non-creditable, non-refundable payments to MorphoSys based on Net Sales in any calendar year in the COMPANY Territory (across all Products and all indications) in accordance with the invoicing process outlined in Section 8.5:

Milestone event (in US dollars)	**Payment (in US dollars)**
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
Total Sales Milestones	**315 million**

For the avoidance of doubt, if more than one of the above Net Sales thresholds are achieved for the first time in the same calendar year, all such achieved milestone payments that were not previously paid will become due at such time.

(c) Disputes on whether a development milestone event or a sales milestone event has occurred shall be settled according to Section 18.3(b).

CONFIDENTIAL

8.3 Royalties from COMPANY.

(a) Royalties for Products in the European Region and Japan. In further consideration of the licenses granted by MorphoSys to COMPANY, COMPANY shall pay to MorphoSys tiered royalties on incremental annual Net Sales of Products in the European Region and Japan:

Net Sales of Products in European Region and Japan in any calendar year (in US dollars)	**Royalty Rate**
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

The royalty rates under this Section are incremental with respect to the annual Net Sales of Products. As an example, if Products achieve in any given calendar year [***] US dollar (USD [***]) in Net Sales in the COMPANY Territory, then a [***] percent ([***]%) royalty shall be paid on the first [***] dollars (USD [***]), a [***] percent ([***]%) royalty shall be paid on the next [***] dollars (USD [***]), and a [***] percent ([***]%) royalty shall be paid on the remaining [***] dollars (USD [***]).

(b) Net Sales of Products in ROW Territory. In further consideration of the licenses granted by MorphoSys to COMPANY, COMPANY shall pay to MorphoSys a royalty of [***] percent ([***]%) of Net Sales of Products in the ROW Territory.

(c) Royalty Term. The royalties under Section 8.3 shall be paid by COMPANY to MorphoSys during the Royalty Term. "**Royalty Term**" means the time from [***] of a Product in a given country in the COMPANY Territory on a country-by-country and Product-by-Product basis and until the last to occur of: **(i)** the expiration of the last Valid Claim Covering such Product within the Xencor Background Patents, MorphoSys Background Patents, Joint Foreground Patents and MorphoSys Foreground Patents in such country, **(ii)** [***] years after the first post-Marketing Authorization sale of such Product in such country and **(iii)** expiration of the regulatory exclusivity for such Product in such country. The royalties payable with respect to Net Sales of Products shall be reduced by [***] percent ([***]%) of the otherwise applicable rates, with respect to Net Sales of a Product in a country during any portion of the Royalty Term to the extent there is no such Valid Claim in such country; ***provided, however***, that, subject to Section 8.10, the royalty payments due in any calendar quarter during the Royalty Term shall in no case amount to less than [***] percent ([***]%) of Net Sales of Products in the COMPANY Territory. COMPANY has selected this royalty scheme from among other choices available to COMPANY as the most appropriate and convenient approach to determine the value of the licenses granted by MorphoSys to COMPANY hereunder.

CONFIDENTIAL

(d) Reporting of Net Sales and Monthly Forecast. Within [***] calendar days of the end of each calendar quarter for which royalties are due, COMPANY shall deliver to MorphoSys a written report setting forth the following information for such calendar quarter, on a Product-by-Product, country-by-country and COMPANY Territory-wide basis **(a)** Net Sales of each Product, gross sales associated therewith and the calculation of Net Sales thereon, including the amount of any deductions provided for in the definition of Net Sales (broken down by category as enumerated in such definition), and **(b)** the royalties due hereunder for the sale of each such Product. No reports under this Section 8.3(d) shall be due for any such Product before the [***] of such Product or after the Royalty Term for such Product has expired in all countries in the COMPANY Territory. The total royalty due for the sale of all such Products during such calendar quarter shall be calculated in accordance with this Section 8.3. In addition, taking into account the reasonable need of MorphoSys to have such information for revenue forecasts and guidance, COMPANY shall provide to MorphoSys on a regular, ongoing basis, [***] estimates with regard to the Net Sales levels in [***].

(e) Currency. Royalties on Net Sales in Euros or US dollars shall not be converted and shall be payable in Euros or US dollars, as the case may be, whereas royalties on Net Sales in other currencies than US dollars or Euros shall be converted to US dollars or Euros using the average of the exchange rate as reported by [***] (or a successor entity) during the calendar quarter to which such payment pertains. With any payment in relation to which a currency conversion is performed to calculate the amount of payment due, each such invoice or report shall include the currency conversion and rate used as a separate line item. All payments will be made without deduction of exchange, collection or other charges.

(f) Record Keeping. In accordance with GAAP, COMPANY shall keep and shall ensure that its Affiliates and Sublicensees keep books and accounts of record in connection with the sales and other dispositions of Products (including use in Trials, or provision on a compassionate use basis or as marketing samples) in sufficient detail to permit accurate determination of all figures necessary for verification of royalties or other payments to be paid hereunder. COMPANY and its Affiliates and Sublicensees shall maintain such records for a period of at least [***] years after the end of the calendar quarter in which they were generated and make such records available to MorphoSys or an independent certified public accounting firm reviewing such documents and records on behalf of Xencor and being selected by Xencor.

(g) Audits. Upon [***] calendar days prior notice from MorphoSys, COMPANY shall permit an independent certified public accounting firm selected by MorphoSys, to examine the relevant books and records of COMPANY and its Affiliates and Sublicensees as may be reasonably necessary to verify the amounts reported by COMPANY in accordance with Section 8.3(d) and the payment of royalties hereunder. An examination by MorphoSys under this Section 8.3(g) shall occur not more than once in any calendar year and shall be limited to the pertinent books and records for any calendar year ending not more than [***] years before the date of the request. The accounting firm shall be provided access to such books and records at COMPANY's or its Affiliates' or Sublicensees' facility(ies) where such books and records are

CONFIDENTIAL

normally kept and such examination shall be conducted during COMPANY's or its Affiliates' or Sublicensees' facility(ies), normal business hours. COMPANY may require the accounting firm to sign a reasonably acceptable non-disclosure agreement before providing the accounting firm with access to COMPANY's or its Affiliates' or Sublicensees' facilities or records. Upon completion of the audit, the accounting firm shall provide both COMPANY and MorphoSys a written report disclosing any discrepancies in the reports submitted by COMPANY or the royalties paid by COMPANY, and, in each case, the specific details concerning any discrepancies. MorphoSys shall be entitled to report the results of any such audit to Xencor. If such accounting firm concludes that additional royalties were due to MorphoSys, then COMPANY will pay to MorphoSys the additional royalties within [***] calendar days of the date COMPANY receives such accountant's written report plus interest in the amount of [***] percentage point above the then-applicable rate on the deposit facility of the [***] per annum. Further, if the amount of such underpayments exceeds more than [***] percent ([***]%) of the amount that was properly payable to MorphoSys, then COMPANY shall reimburse MorphoSys for MorphoSys' costs in connection with the audit (otherwise such audit shall be at MorphoSys' cost). If such accounting firm concludes that COMPANY overpaid royalties to MorphoSys, then MorphoSys will refund such overpayments to COMPANY plus interest in the amount of [***] percentage point above the then-applicable rate on the deposit facility of the [***] per annum, within [***] calendar days of the date MorphoSys receives such accountant's report.

8.4 Third Party Licenses and Third Party Payments.

(a) General. If either Party determines that it may be desirable to obtain a license from a Third Party, such Party shall promptly notify the other Party of such determination in writing giving detailed reasoning and the Parties shall discuss, through the JSC, the necessity or usefulness to obtain such Third Party's license.

(b) Third Party Payments. Except as otherwise set forth in Section 11.15, in the event the Parties agree to seek a license from a Third Party, [***] shall have the first right to reasonably lead negotiations and conclude such license for the [***]. [***] shall have the right to participate in any such negotiation. In the event [***] seeks a license from a Third Party for the [***] shall have the first right to reasonably lead negotiations and conclude such license for the [***]. [***] shall have the right to participate in any such negotiation. Whichever Party negotiates such Third Party license shall keep the other Party informed and shall take due account of the other Party's interests, and such other Party shall provide any assistance reasonably requested. In the event the Parties agree during the Term to seek a Third Party license, the Parties shall [***] all Third Party Payments that are due on or after the Execution Date to Third Parties in relation to any Licensed Antibody or Products (i) in accordance with [***] if such license is worldwide and (ii) in accordance with [***] if such license is limited to the Co-Commercialization Territory. For the avoidance of doubt, this Section 8.4 does not apply for payments made which are [***]. In the event the Parties disagree as to whether to seek a license from a Third Party but [***] has reasonably determined that it would be less burdensome and/or more efficient to Develop and Commercialize the Product in the [***] shall have the right to negotiate and conclude such license in its own name and for the [***], provided that [***] in the Field in the [***] and provided further that if [***] obtains a license from a Third Party in the [***] that is necessary for Commercialization of the Product in the form as existing on the Execution Date, in the [***].

CONFIDENTIAL

(c) Third Party Licenses under Issued Specific Composition Patents. If MorphoSys or COMPANY enter into any agreement with a Third Party for a license under an issued Patent which Covers the specific composition of matter of: (i) XmAb5574 due to and because of the sequence of its Fv or of its Fc variants, or of (ii) the Xencor High-ADCC/CDC Fc variants of any other Licensed Antibody which is under development or commercialization by MorphoSys or its Affiliate(s) or COMPANY or its Affiliate(s) due to and because of the sequence of such Xencor High-ADCC/CDC Fc variants ("**Issued Specific Composition Patents**") to avoid doubt, an issued Patent will "Cover the specific composition" via a use claim if the scope of the use claims is limited to uses of such specific composition of matter due to and because of the sequence (meaning the Fv or Fc variants in the case of XmAb5574 and the Xencor High-ADCC/CDC Fc variants of such other Licensed Antibody) (and the foregoing specifically excluding Patents that apply due to any chemical modification thereto not present in the form thereof having been tested in the Xencor Phase 1 Trial), then [***] percent ([***]%) of the net sales royalties actually paid to the Third Party under such license with respect to Net Sales in any given calendar quarter in any given country may be offset against the royalty that would otherwise have been payable to MorphoSys with respect to such Net Sales in such calendar quarter; *provided, however*, that the foregoing reduction shall not reduce the royalty owed to MorphoSys in any given calendar quarter below [***] percent ([***]%) of Net Sales of Products in the COMPANY Territory.

(d) Payments under the Xencor Agreement. During the Term, MorphoSys shall be responsible for making the Xencor Payments to Xencor, ***provided, however***, that Xencor US Royalties shall be shared in accordance with the Pre-Tax Profit (Loss) Share.

8.5 General Payment Terms. Unless otherwise specified, **(i)** COMPANY shall make all payments under this Agreement, including the initial license fee and the milestone payments due to MorphoSys under this Agreement, in US dollars, and the royalty payments as set forth in Sections 8.3(a) and (b), and **(ii)** both Parties shall make all payments to each other under the Pre-Tax Profit (Loss) Share reconciliation to each other in US dollars. All payments under this Agreement are exclusive of applicable statutory value-added tax (VAT), if any, which shall be listed separately on each invoice. All payments other than royalties due under this Agreement shall be made to the respective Party within [***] calendar days, unless otherwise set forth in this Agreement, following the receipt of an invoice, which shall in no case be sent prior to the respective due date. All royalty payments are due and payable within [***] calendar days upon receipt of an invoice from MorphoSys, which shall in no case be sent prior to the receipt of the Net Sales report provided by COMPANY pursuant to Section 8.3(d). Each payment under this Agreement shall be made by electronic transfer in immediately available funds via bank wire transfer to such bank account as the respective Party shall designate in writing to the other Party at least [***] calendar days before the payment is due. For the purpose of this Section 8.5, "**VAT**" means, in the EU, value-added tax calculated in accordance with Council Directive 2006/112/EC and, in a jurisdiction outside the EU, any equivalent tax. The Parties will cooperate in good faith to obtain any potential exemptions or reductions from VAT which may be levied on any payments and provide all necessary data and documents.

CONFIDENTIAL

8.6 Late Payment. Unless otherwise set forth in this Agreement, all payments under this Agreement shall bear interest from the date due until paid at a rate equal to [***] percentage points above the then-applicable rate on the deposit facility of the [***] per annum.

8.7 Withholding Tax. If Laws, rules or regulations require withholding of income taxes or other taxes imposed upon payments by a Party ("**Payer**") to the other Party ("**Payee**"), the Payer shall support the Payee in obtaining the benefit of any relevant tax treaties to minimize as far as reasonably possible any taxes which may be levied on any payments. If either Party is entitled under any applicable tax treaty to a reduction of the rate of, or the elimination of, applicable withholding tax, it may deliver to the other Party or the appropriate Governmental Authority (with the assistance of the other Party to the extent that this is reasonably required and is expressly requested in writing) the prescribed forms necessary to reduce the applicable rate of withholding or to relieve the other Party of its obligation to withhold tax, and the other Party shall apply the reduced rate of withholding tax, or dispense with withholding tax, as the case may be, provided that the other Party has received evidence of such delivery of all applicable forms (and, if necessary, its receipt of appropriate governmental authorization) at least [***] calendar days prior to the time that the payment is due. If, in accordance with the foregoing, a Party withholds any amount, it shall make timely payment to the proper taxing authority of the withheld amount, and send to the other Party proof of such payment within [***] days following such latter payment.

8.8 Consistent Methodology. For the avoidance of doubt, all calculations hereunder shall be made in accordance with the applicable budgets, definitions and terms set forth in this Agreement, the applicable Exhibits, accounting policies and methodologies as agreed by the Finance Working Group and in accordance with GAAP.

8.9 Blocked Payments. In the event that, by reason of Laws in any country, it becomes impossible or illegal for a Party or its Affiliates to transfer, or have transferred on its behalf, payments to the other Party, such blocked Party shall promptly notify the other Party of the conditions preventing such transfer and such distribution fees or other payments shall be deposited in local currency in the relevant country to the credit of the receiving Party in a recognized banking institution within a period of [***] calendar days designated by the receiving Party.

8.10 Limitation to royalty deductions allowed. Notwithstanding anything to the contrary in this Agreement (except with respect to [***], the royalty payments due in any calendar quarter to MorphoSys under this Agreement shall never be reduced to less than [***] percent ([***]%) of the Net Sales in such calendar quarter, whether by application of deductions allowed hereunder or otherwise, **provided that** in the event a deduction by COMPANY is disallowed in a particular calendar quarter by reason of this limitation (whether because of this Section 8.10 or other similar limitations in this Agreement), such disallowed deduction may be carried forward and deducted by COMPANY to the extent permissible in the next calendar quarter only.

9. GOVERNANCE

9.1 General Committee Authority. Each committee formed under this Agreement shall have solely the powers expressly assigned to it in this Agreement. No committee shall have any power to amend, modify, or waive compliance with this Agreement.

CONFIDENTIAL

9.2 Joint Steering Committee.

(a) Purpose of the Joint Steering Committee ("**JSC**")**.** The JSC shall have the authority to make decisions with respect to activities which have strategic importance to the Development, Manufacture or Commercialization of the Licensed Antibody and Product as well as unresolved disputes from the JDC, JMC and JCC pursuant to Sections 9.5(e), 9.6(e) or 9.7(e), respectively.

(b) Formation and Composition of JSC. The Parties shall form the JSC shortly after the Execution Date to start planning prior to the Effective Date. Each Party shall initially appoint two (2) representatives to the JSC, with one (1) representative having knowledge, expertise or responsibility in the strategic research and development of products similar to the Product and the other representative having knowledge, expertise or responsibility in the strategic commercialization of products similar to the Products, both representatives being on senior management level. In addition to its JSC representatives, a Party may have other personnel attend JSC meetings for informational purposes. Each Party may replace its JSC representatives at any time upon written notice to the other Party. MorphoSys and COMPANY shall alternate on a yearly basis the chair of the JSC. The chairperson shall be responsible for administering JSC meetings, but shall have no additional powers or rights beyond those held by the other representatives on the JSC.

(c) Specific Responsibilities of the JSC. In addition to its general responsibilities, the JSC shall in particular:

(i) Discuss and decide upon the overall strategy for Developing, Commercializing and Manufacturing the Licensed Antibody and Product in both the Co-Commercialization Territory and the COMPANY Territory, including approval of the Development Plan, Joint Development Budget, the TPP, the overall strategy for seeking Regulatory Approvals and Pricing Approvals, the Co-Commercialization Plan, the Co-Commercialization Budget and including discussing and reviewing the COMPANY Commercialization Plan and approval of alignment of COMPANY Commercialization Plan with the overall strategic Product positioning, branding, core messaging, and overall medical congress strategy and global medical education strategy with respect to global Commercialization in the Territory;

(ii) Approve the COMPANY Commercialization Plan, the Co-Commercialization Plan and the Co-Commercialization Budget, and any updates and amendments thereto;

(iii) Approve additional Global Trials, including Independent Trials, and other material amendments of the Development Plan, including the determination of proposed new Development activities as either Joint Development Activity or Sole Funded Development Activity, subject to Section 3.5;

(iv) Approve the strategic aspects of material Regulatory Activities and material Pricing Activities in the Territory;

(v) Discuss and decide upon the overall global strategy for Commercializing the Product and material Pricing Activities in both the Co-Commercialization Territory and the COMPANY Territory;

(vi) Discuss and decide responsibility for the Common Technical Document (CTD);

(vii) Consider in good faith any reasonable concerns of a Party that a Sole Funded Development Activity or investigator initiated Trial might adversely affect in a material way the value proposition of Licensed Antibody or Product, by, as non-limiting examples, positioning Licensed Antibody or Product in a niche or addressing a significant number of patients that would otherwise be treated within the label of an already existing Regulatory Approval for Product;

(viii) Review and approve COMPANY's demand and sales forecasts for the COMPANY Territory and the Parties' demand and sales forecast for the Co-Commercialization Territory and the respective timelines after reconciliation by the JMC;

(ix) Discuss and approve a potential Technology Transfer and the related supply chain strategy after discussion of the same in the JMC;

(x) Discuss and review new in-license agreements for Third Party licenses in accordance with Section 8.4(a) and 8.4 (b); and

(xi) Oversee the JDC, JMC, JCC and Finance Working Group (as defined in Section 7.8), approve proposals, plans and Pre-Tax Profit (Loss) Share calculation methodology presented by these committees or group and decide upon issues, which these committees referred to the JSC pursuant to Section 9.5(e), Section 9.6(e), Section 9.7(e) or Section 7.8 and coordinate matters that affect more than one of such committees.

(d) JSC Meetings. The JSC shall meet at least [***], unless otherwise agreed between the JSC members. Either Party may also call a special meeting of the JSC (by videoconference or teleconference) with at least [***] calendar days prior written notice to the other Party in the event such Party reasonably believes that a significant strategic matter must be addressed prior to the next scheduled meeting. The JSC may meet in person, by videoconference or by teleconference. There shall be at least one (1) meeting in person per year. In-person JSC meetings shall be held at locations alternately selected by MorphoSys and by COMPANY. Meetings of the JSC shall be effective only if both JSC representatives of each Party are present or participating in such meeting. Each Party shall report to the JSC on all strategically important issues relating to the Development, Manufacture or Commercialization of Licensed Antibody or Product promptly after such issues arise. Each Party shall bear the expense of its respective JSC representatives' participation in JSC meetings. The chairperson shall be responsible for preparing reasonably detailed written minutes of JSC meetings that reflect all decisions made at such meetings. The JSC chairperson shall send draft meeting minutes to each member of the JSC for review and approval within [***] Business Days after each JSC meeting. Minutes shall be deemed approved unless one or more members of the JSC object to the accuracy of such minutes within [***] Business Days of receipt.

CONFIDENTIAL

(e) JSC Decision-Making. The JSC shall act and decide by consensus. Each Party shall have one (1) vote on behalf of that Party; the members of one Party can only cast one joint vote. The JSC shall use commercially reasonable efforts to resolve the matters within its roles and functions. If the JSC cannot reach consensus within [***] weeks on any issue that comes before the JSC for which the JSC is responsible under this Agreement, then the Parties shall immediately refer the matter to the chief executive officers or presidents ("**Executive Officers**") for attempted resolution by good faith negotiations within [***] calendar days after such notice is received. If the Executive Officers are unable to resolve such dispute within [***] calendar days after such dispute is first referred to them, then:

(i) Subject to Section 9.2(e) (iv), (v) and (vi), and Section 9.2(f), MorphoSys shall have the final decision making authority, if such dispute relates to any of the following:

(1) any MorphoSys Trials (for clarity including [***], subject to Section 3.7);

(2) strategic decisions related to Joint Development Activities in the Territory;

(3) operational decisions related to Joint Development Activities in the Co-Commercialization Territory;

(4) strategic and operational decisions related to Regulatory Activities in the Co-Commercialization Territory;

(5) Manufacturing [***] (subject to Section 9.2(e)(ii)(2);

(6) strategic and operational aspects of Commercialization of the Product (including, for clarity, Product pricing decisions) in the Co-Commercialization Territory and strategic aspects regarding Medical Affairs Activities in the Co-Commercialization Territory, except as set forth in Section 9.2(e)(ii)(5);

(7) strategic Product positioning, branding, core messaging, and overall medical congress strategy and global medical education strategy with respect to global Commercialization in the Territory;

(8) MorphoSys Funded Development Activities, including amendments hereto;

(9) MorphoSys' compliance with any agreement existing on Execution Date, as amended, with a Third Party to which MorphoSys is the contractual party (including the Xencor Agreement and [***]);

(10) MorphoSys' compliance with its responsibilities or legal obligations as the Sponsor of a Trial; and

CONFIDENTIAL

(11) Non-NDA Studies in the Co-Commercialization Territory.

(ii) Subject to Section 9.2(e)(iii), (iv), (v) and (vi), and Section 9.2(f), COMPANY shall have the final decision making authority, if such dispute relates to any of the following:

(1) COMPANY Trial;

(2) operational decisions related to Joint Development Activities in the COMPANY Territory;

(3) the Technology Transfer and further technology transfers;

(4) Commercialization activities of the Product (including for clarity, Product pricing decisions) in the COMPANY Territory;

(5) operational activities regarding Medical Affairs Activities in the Co-Commercialization Territory and strategic and operational activities regarding Medical Affairs Activities in the COMPANY Territory;

(6) COMPANY Funded Development Activities, including amendments thereto;

(7) strategic and operational decisions regarding Regulatory Activities in the COMPANY Territory; and

(8) COMPANY's compliance with its responsibilities or legal obligations as the Sponsor of a Trial; and

(9) Non-NDA Studies in the COMPANY Territory.

(iii) Subject to Section 9.2(e)(iv), (v) and (vi), and Section 9.2(f), MorphoSys shall have the final decision making authority, if any dispute relates to any issue for which each Party would otherwise have the final say according to the foregoing (i) and (ii) (i.e. overlap of final decisions);

(iv) The respective Party shall not have the final decision making authority under each of (i), (ii) and (iii) above and the other Party shall have a veto right (and if such veto right is exercised, no action shall be taken with respect to the applicable decision), if the other Party reasonably believes and shows that the outcome of such Party's decision or its execution:

(1) would materially amend any mutually agreed Joint Development Activity (including the MorphoSys Trials and COMPANY Trial) or mutually agreed Co-Commercialization Plan and Co-Commercialization Budget;

(2) may result in a material safety issue for the Product;

CONFIDENTIAL

(3) would cause or oblige such other Party to violate Laws or breach agreements with Third Parties validly existing on Execution Date, in case of MorphoSys, in particular but not limited to, the [***];

(4) in case of a Technology Transfer or a further technology transfer, such transfer, would in any regard, adversely affect the supply of Product in, with respect to COMPANY, the COMPANY Territory, or with respect to either Party, the Co-Commercialization Territory, and Trials; an increase in the supply price [***], due to a Technology Transfer shall be deemed such an adverse effect, if COMPANY does not commit in writing to fully bear such [***];

(5) will increase the overall financial burden of such other Party by more than [***] percent ([***]%) in sharing Joint Development Costs pursuant Section 7.1 or Co-Commercialization Costs or Medical Affairs Activities Costs pursuant to Section 7.7.

(v) The respective Party shall not have the final decision making authority under each of (i), (ii) and (iii) above and the other Party may refer the matter for determination by an Expert in accordance with Section 9.3, **(y)** if such other Party reasonably believes and shows that the outcome of such Party's decision or its execution might adversely affect in a material way the Licensed Antibody and/or the Product or the Development, Regulatory Activities, Manufacture or Commercialization of the Licensed Antibody and/or the Product in the Co-Commercialization Territory or the COMPANY Territory, , or **(z)** in the event a Party disputes the obligation to pay or to share compensation or the calculation made in accordance with Section 3.18.

(vi) Neither Party shall have the final decision making authority if the dispute was initially brought to the JSC's attention by the Finance Working Group and as such relates to a specific financial and/or accounting matter resulting from Section 7. Such dispute may be referred to an Expert in accordance with Section 9.3, if it was not resolved by the JSC, nor by the Executive Officers.

(f) Limitations to a Party's Decision Making Authority. Notwithstanding the foregoing provisions of Section 9.2(e), neither Party shall exercise its right to finally resolve a dispute hereunder in a manner that excuses such Party from any of its obligations specifically enumerated under this Agreement or in a manner that negates any consent rights or other rights specifically allocated to the other Party under this Agreement. In addition, in resolving a dispute hereunder each Party shall act in good faith and in a commercially reasonable manner. While a disputed matter remains unresolved, all previously agreed upon rights and obligations of each Party with respect to such disputed matter in the Development Plan shall continue to remain in effect. Nothing in this Section 9.2(f), shall affect the right of a Party to exercise its rights or remedies for a breach of this Agreement by the other Party (in particular, but not limited to, firm obligations and obligations to use Commercially Reasonable Efforts, violations of payment obligations, breach of the other Party's intellectual property rights, violations of Confidentiality).

CONFIDENTIAL

9.3 Expert Decision. If a dispute remains unresolved pursuant to Section 9.2(e)(v), on which neither Party has the deciding vote, then upon written request by either Party to the other Party, the Parties shall promptly negotiate in good faith to appoint an appropriate expert ("**Expert**"). If the Parties are unable to agree on an Expert by mutual written agreement within seven (7) calendar days after the receipt by a Party of the written request in the immediately preceding sentence, the Expert shall be appointed by the International Centre for Expertise of the International Chamber of Commerce ("**ICC**") under its rules of expertise; ***provided, however***, that initially, the Parties shall [***] the fees charged by ICC upon appointment of the Expert. The Parties will then promptly make available the same set of documents supporting their proposals to the mutually agreed Expert or the appointed Expert, as the case may be. Such Expert shall have the right to meet with the Parties, either alone or together, as necessary to make a determination. Each Party shall submit to such Expert and exchange with each other in advance of such Expert's review their last, best offers. Such Expert shall be limited to awarding only one or the other of the offers submitted. No later than [***] calendar days after the agreement or designation of such Expert, as the case may be, such Expert shall make a determination. Such Expert shall provide the Parties with a written statement setting forth the basis of the determination in connection therewith. The decision of such Expert shall be final and conclusive and binding on the Parties and their Affiliates and Sublicensees, absent manifest error. The costs of such Expert shall be borne [***]. The Parties shall use their good faith efforts to expedite the processes set forth in Section 9.2(e) and this Section 9.3.

9.4 Development Project Team. As soon as reasonably practicable after the formation of the JDC, the JDC will establish a development project team (the "**Development Project Team**") that will meet by teleconference (i) on a [***] basis for the first [***] months after establishment of the Development Project Team and (ii) at least [***] thereafter for such period agreed by the Parties, in each case to discuss the status, safety and efficacy data (if available) emerging from each MorphoSys Trial and any Global Trial that is a Joint Development Activity. The Development Project Team will consist of the lead clinician and clinical scientist for each applicable Trial and their respective counterparts from the Party not conducting such Clinical Study. Development Project Team members will have the right to join the weekly safety call with lead Trial investigators, and have contemporaneous access to any material safety data and all key efficacy data, including: (a) interim analyses, (b) first interpretable results, (c) draft tables, listings and figures, (d) final tables, listings and figures from such Trial.

9.5 Joint Development Committee.

(a) Purpose of the Joint Development Committee ("JDC"). The JDC shall govern and oversee the global Development Activities of Licensed Antibody and Products in the Territory in the Field, as long as a Product is in Development in any country of the Territory in the Field.

(b) Formation and Composition of JDC. The Parties shall form a JDC promptly after the Execution Date to start planning Development activities prior to the Effective Date. Each Party shall initially appoint three (3) representatives to the JDC, with each representative having knowledge, expertise or responsibility in the research, development and regulatory activities of products similar to the Products and the appropriate seniority. The JDC may change its size from time to time by mutual consent of its members; ***provided, however,*** that the JDC shall consist at all times of an equal number of representatives of each of MorphoSys and COMPANY. In addition to its JDC representatives, a Party may have other personnel attend JDC meetings for informational purposes. Each Party may replace its JDC representatives at any time

CONFIDENTIAL

upon written notice to the other Party. MorphoSys and COMPANY shall alternate on a yearly basis the chair of the JDC. The chairperson shall be responsible for administering JDC meetings, but shall have no additional powers or rights beyond those held by the other representatives on the JDC. The JDC may constitute working groups for addressing specific matters under its responsibility.

(c) Specific Responsibilities of the JDC. In addition to its general responsibilities, the JDC shall in particular:

(i) Manage and oversee the preparation and implementation of the Development Plan;

(ii) Review, discuss and approve non-material amendments to the Development Plan;

(iii) Every [***] months, review, discuss, amend, update and submit to the JSC for approval: the Development Plan (subject to Section 3.6), including the Joint Development Budget, the TPP, and any material amendments thereto; review and discuss proposals for new Development Activities pursuant to Section 3.5 and seek input from the JCC;

(iv) Decide upon which Party will be responsible for the performance of the various activities set forth in the Development Plan on the basis of each Party's respective experience, capabilities and capacity as set forth in Section 3.11, including which Party will be the Sponsor of a new Global Trial that is a Joint Development Activity;

(v) Oversee the conduct and progress of all Trials required as set forth in the Development Plan, including compliance with Laws and applicable GLP, GCP and/or GMP standards, mitigation actions, e.g. clinical Trial liaison activities and medical scientific activities, in order to improve Trial recruitment and Trial site engagement and any Development Activities;

(vi) Align with the Medical Affairs function with regards to Early Access Programs and investigator initiated Trials;

(vii) Review and discuss the progress of any Sole Funded Development Activity;

(viii) Coordinate and facilitate the exchange of information between the Parties under this Agreement regarding the strategy for implementing the Development Activities, including sharing and reviewing of Development Data created pursuant to this Agreement and establishing procedures for the efficient and prompt sharing of information and materials and Know-How reasonably necessary or useful for the Development of the Product in the Territory;

(ix) Coordinate and facilitate exchange by both Parties of Regulatory Data and Regulatory Materials in support of filings, facility inspections and Product launch in the Co-Commercialization Territory and the COMPANY Territory; review, discuss and, with respect to Joint Development Activities only, approve the design of the Trial protocols and endpoints;

CONFIDENTIAL

(x) Discuss and agree on the regulatory strategy for filing and maintaining Regulatory Approvals in the Co-Commercialization Territory, in alignment with the JCC;

(xi) Review and discuss the regulatory strategy for filing and maintaining Regulatory Approvals in the COMPANY Territory, in alignment with the JCC;

(xii) Review and discuss the contents of all submissions to Regulatory Authorities and Governmental Authorities in the Territory for Regulatory Approvals, Regulatory Materials and all necessary filing and registration activities related thereto;

(xiii) Discuss and agree on all matters related to the maintenance of each Party's safety database and the global safety database, as applicable;

(xiv) Review, discuss and oversee issues regarding pharmacovigilance and safety in both the Co-Commercialization Territory and the COMPANY Territory;

(xv) Review and provide comments to the JMC regarding Manufacturing Development Activities and discuss progress and issues concerning Manufacturing Development Activities;

(xvi) Review and discuss demand forecasts and timelines of Drug Product for supply of the Development Activities under the Supply Agreement and report such demand forecasts and timelines to the JMC;

(xvii) Discuss and agree the publication strategy for Development Data;

(xviii) Review and discuss subcontractors (e.g. contract research organizations, and vendors) and collaboration partners for Joint Development Activities (subject to qualification of such subcontractors in accordance with Laws, GMP and GDP), and report the proposed subcontractors to the JSC for approval; decide on thresholds for seeking the other Party's approval to engage such subcontractors and partners, and decide which Party (or the Parties) negotiates the respective agreements and signs such agreements with such subcontractor, with the other Party's prior approval;

(xix) Review results of subcontracted Joint Development Activities.

(d) JDC Meetings. The JDC shall meet once per [***] unless otherwise agreed between the JDC members. Either Party may also call a special meeting of the JDC (by videoconference or teleconference) with at least [***] calendar days prior written notice to the other Party in the event such Party reasonably believes that a significant matter must be addressed prior to the next scheduled meeting. The JDC may meet in person, by videoconference or by teleconference. There shall be at least one (1)

CONFIDENTIAL

meeting in person per year. In-person JDC meetings shall be held at locations alternately selected by MorphoSys and by COMPANY. Meetings of the JDC shall be effective only if all JDC representatives of each Party are present or participating in such meeting. Each Party shall report to the JDC on all material issues relating to the Development of any Licensed Antibody or Product promptly after such issues arise. Each Party shall bear the expense of its respective JDC representatives' participation in JDC meetings. The chairperson shall be responsible for preparing reasonably detailed written minutes of JDC meetings that reflect all decisions made at such meetings. The JDC chairperson shall send draft meeting minutes to each member of the JDC for review and approval within [***] Business Days after each JDC meeting. Minutes shall be deemed approved unless one or more members of the JDC object to the accuracy of such minutes within [***] Business Days of receipt.

(e) JDC Decision-Making. Subject to Section 9.5(c), the JDC shall have the authority to make decisions with respect to the Development of Licensed Antibodies and Products in the Territory in the Field. The JDC shall act by consensus. Each representative from each Party shall have one (1) vote on behalf of that Party. If the JDC cannot reach consensus within [***] Business Days on any issue that comes before the JDC for which the JDC is responsible, then the Parties shall immediately refer such matter to the Chief Development Officer at MorphoSys and the Chief Medical Officer at COMPANY ("**Designated JDC Officers**") for resolution. In the event of a Dispute between COMPANY and MorphoSys that cannot be resolved within [***] Business Days by the Designated JDC Officers with respect to matters concerning the Development, the Designated JDC Officers shall refer the issue to the JSC which will decide upon the matter pursuant to Section 9.2(e).

9.6 Joint Manufacturing Committee.

(a) Purpose of the Joint Manufacturing Committee ("JMC"). The JMC shall discuss and shall have the authority to make decisions only as expressly set out in Section 9.6(c) below.

(b) Formation and Composition of JMC. The Parties shall form a JMC promptly after the Execution Date to start planning Development activities prior to the Effective Date. Each Party shall initially appoint two (2) representatives to the JMC, with each representative having knowledge, expertise or responsibility in the manufacturing of products similar to the Products and the appropriate seniority. The JMC may change its size from time to time by mutual consent of its members; ***provided, however,*** that the JMC shall consist at all times of an equal number of representatives of each of MorphoSys and COMPANY. In addition to its JMC representatives, a Party may have other persons attend JMC meetings for informational purposes, including also representatives of [***] if appropriate. Each Party may replace its JMC representatives at any time upon written notice to the other Party. MorphoSys and COMPANY shall alternate on a yearly basis the chair of the JMC. The chairperson shall be responsible for administering JMC meetings, but shall have no additional powers or rights beyond those held by the other representatives on the JMC. The JMC may constitute working groups for addressing specific matters under its responsibility.

CONFIDENTIAL

(c) Specific Responsibilities of the JMC. The JMC shall in particular:

(i) Discuss and approve the Manufacturing Development Activities and discuss progress and issues concerning Manufacturing Development Activities and COMPANY Discretionary Manufacturing Development Activities, all in accordance with the Development Plan;

(ii) Oversee, discuss and approve the overall supply chain management and related regulatory strategy, forecasting procedures, as well as contingency plans;

(iii) Facilitate, to the extent permitted under this Agreement, exchange of CMC information;

(iv) Discuss the need and scope of a potential Technology Transfer and review potential Third Party manufacturers (and COMPANY as manufacturer) capabilities for provision of Drug Product, Drug Substance and analytical test methods, and oversee the Technology Transfer where agreed by the Parties through the JSC and [***];

(v) Review, discuss and reconcile demand and sales forecasts and timelines of Drug Product for supply of the Development Activities and Commercialization in the Territory after discussion of such demand and sales forecasts and timelines in the JDC and/or JCC, as the case may be, and report such reconciled demand and sales forecasts and timelines to the JSC for approval;

(vi) Review and discuss any material issues and problems relating to the Manufacture of Products, including shortages, delays and non-compliances; discuss and approve remediation plans and corrective actions;

(vii) Review and discuss potential Third Party vendors for e.g. (a) Labelling and Packaging of the Drug Product and (b) Distribution of the Finished Drug Product; for Global Trials that are Joint Development Activities and for Co-Commercialization in the Co-Commercialization Territory, and report the proposed Third Party vendors to the JSC for approval. All Third Party vendors shall undergo successful qualification by the quality assurance function of the Party being responsible for contracting the Third Party; and

(viii) Facilitate the involvement of the respective other Party in cases set out under Section 6.6(d).

(d) JMC Meetings. The JMC shall meet at least [***], unless otherwise agreed between the JMC members, and as needed for the forecasting mechanism under the [***]. Either Party may also call a special meeting of the JMC (by videoconference or teleconference) by at least [***] calendar days prior written notice to the other Party in the event such Party reasonably believes that a significant matter must be addressed prior to the next scheduled meeting. The JMC may meet in person, by videoconference, or by teleconference. There shall be at least one (1) meeting in person per year. In-person JMC meetings shall be held at locations alternately selected by MorphoSys and by COMPANY. Meetings of the JMC shall be effective only if both JMC representatives of each Party are present or participating in such

meeting. Each Party shall report to the JMC on all material issues relating to the Manufacturing of Products promptly after such issues arise. Each Party shall bear the expense of its respective JMC members' participation in JMC meetings. The chairperson shall be responsible for preparing reasonably detailed written minutes of JMC meetings that reflect all decisions made at such meetings. The JMC chairperson shall send meeting minutes to each member of the JMC for review and approval within [***] Business Days after each JMC meeting. Minutes shall be deemed approved unless one or more members of the JMC object to the accuracy of such minutes within [***] Business Days of receipt.

(e) JMC Decision-Making. The JMC shall act by consensus. Each representative from each Party shall have one (1) vote on behalf of that Party. If the JMC cannot reach consensus within [***] Business Days on any issue that comes before the JMC for which the JMC is responsible, then the Parties shall refer such matter to the relevant Chief Officers at MorphoSys and COMPANY ("**Designated JMC Officers**") for resolution. In the event of a Dispute between COMPANY and MorphoSys that cannot be resolved within [***] Business Days by the Designated JMC Officers with respect to matters concerning the Manufacturing, the Designated JMC Officers shall refer the issue to the JSC which will decide upon the matter pursuant to Section 9.2(e).

9.7 Joint Commercialization Committee.

(a) Purpose of the Joint Commercialization Committee ("JCC"). The JCC shall govern and oversee the global Commercialization of Product in the Territory in the Field, as long as a Product is Commercialized in any country of the Territory in the Field.

(b) Formation and Composition of JCC. The Parties shall form a JCC within [***] calendar days following the Execution Date. Each Party shall initially appoint two (2) representatives to the JCC, with each representative having knowledge, expertise or responsibility in the commercialization of products similar to the Products and the appropriate seniority. The JCC may change its size from time to time by mutual consent of its members; ***provided, however***, that the JCC shall consist at all times of an equal number of representatives of each of MorphoSys and COMPANY. In addition to its JCC representatives, a Party may have other persons attend JCC meetings for informational purposes. Each Party may replace its JCC representatives at any time upon written notice to the other Party. The JCC shall be chaired by [***]. The chairperson shall be responsible for administering JCC meetings, but shall have no additional powers or rights beyond those held by the other representatives on the JCC. The JCC may constitute working groups for addressing specific matters under its responsibility.

(c) Specific Responsibilities of the JCC. In combination with all the responsibilities of the JCC set forth in Article 5, the JCC shall in particular with respect to the Product in the Field:

(i) Oversee and align on the overall global Commercialization strategy, in particular global market access, global marketing and global medical affairs strategies in the Territory;

CONFIDENTIAL

(ii) Serve as a conduit for sharing information, knowledge and expertise relating to the Commercialization of the Product, and the principles of information-sharing with respect to Commercialization in Co-Commercialization Territory and in the COMPANY Territory shall be reciprocal;

(iii) Align, oversee and implement the Global Brand Strategy for Product(s) for use in the Field in the Territory;

(iv) Discuss and agree on the Co-Commercialization Plan and the Co-Commercialization Budget and any updates and amendments thereto;

(v) Review and discuss the COMPANY Commercialization Plan and any updates and amendments thereto, whereby COMPANY shall consider in good faith any comments by MorphoSys with regards to the above;

(vi) Share and discuss information on the Commercialization activities of COMPANY under this Agreement in the COMPANY Territory, including launch sequences, Pre-Launch and post-launch activities;

(vii) Review and discuss demand and sales forecasts and timelines of Drug Product for supply of the Commercialization in the Territory under the Supply Agreement and report such demand and sales forecasts and timelines to the JMC;

(viii) Review and provide comments to the JMC regarding supply chain management, forecasting procedures, and issues of material shortages;

(ix) Share and discuss information on competitor activities with relevance for the Commercialization of the Product;

(x) Review and facilitate public relations and align on communication strategy related to Product enquiries;

(xi) Review and discuss [***] in the Territory;

(xii) Discuss and agree on the [***] for the Co-Commercialization of the Product in the Co-Commercialization Territory, whereby MorphoSys shall have the final decision, in particular with respect to setting the price;

(xiii) Discuss and agree on the [***] for Commercialization of the Product in the COMPANY Territory, to the extent legally permitted, whereby COMPANY shall have the final decision, in particular with respect to setting the price;

(xiv) Discuss and agree on the strategy for receiving and maintaining [***] of the Product in European Major Markets, Canada, Australia, Israel, Japan, South Korea, Brazil, Argentina, Russia, India, China, Hong Kong and Mexico where applicable;

CONFIDENTIAL

(xv) Oversee and align Medical Affairs Activities of each Party, subject to Section 5.1(c) and 5.3(e)(v), and align with the JDC with regards to Early Access Programs and investigator initiated Trials; and

(xvi) Oversee and align marketing and sales activities, market access activities, patient advocacy activities, and market insight activities of the Parties, in the Co-Commercialization Territory.

(d) JCC Meetings. The JCC shall meet at least once per [***], unless otherwise agreed between the JCC members. Either Party may also call a special meeting of the JCC (by videoconference or teleconference) by at least [***] calendar days prior written notice to the other Party in the event such Party reasonably believes that a significant matter must be addressed prior to the next scheduled meeting. The JCC may meet in person, by videoconference, or by teleconference. There shall be at least one (1) meeting in person per year. In-person JCC meetings shall be held at locations alternately selected by MorphoSys and by COMPANY. Meetings of the JCC shall be effective only if both JCC representatives of each Party are present or participating in such meeting. Each Party shall report to the JCC on all material issues relating to the Commercialization of Products promptly after such issues arise. Each Party shall bear the expense of its respective JCC members' participation in JCC meetings. The chairperson shall be responsible for preparing reasonably detailed written minutes of JCC meetings that reflect all discussions held at such meetings. The JCC chairperson shall send meeting minutes to each member of the JCC for review and approval within [***] Business Days after each JCC meeting. Minutes shall be deemed approved unless one or more members of the JCC object to the accuracy of such minutes within [***] Business Days of receipt.

(e) JCC Decision-Making. The JCC shall act by consensus. Each representative from each Party shall have one (1) vote on behalf of that Party. If the JCC cannot reach consensus within [***] Business Days on any issue that comes before the JCC for which the JCC is responsible, then the Parties shall refer such matter to the relevant Chief Officers at MorphoSys and COMPANY ("**Designated JCC Officers**") for resolution. In the event of a Dispute between COMPANY and MorphoSys that cannot be resolved within [***] Business Days by the Designated JCC Officers with respect to matters concerning the Commercialization, the Designated JCC Officers shall refer the issue to the JSC which will decide upon the matter pursuant to Section 9.2(e).

9.8 Compliance Subcommittee.

(a) Within [***] days after the Effective Date, the JSC will establish a joint compliance sub-committee of the JSC (the "**Compliance Subcommittee**"), and establish the roles and responsibilities, to facilitate the coordination between the Parties with respect to each of its respective compliance obligations that relate to the Co-Commercialization and Co-Detailing in Germany, if applicable.

(b) Each Party shall initially appoint two (2) representatives to the Compliance Subcommittee, with each representative having knowledge, expertise or responsibility in compliance and the appropriate seniority. The Compliance Subcommittee may change its size from time to time by mutual consent of its representatives; ***provided, however***, that the Compliance Subcommittee shall consist at all times of an equal number of representatives of each of MorphoSys

CONFIDENTIAL

and COMPANY. In addition to its Compliance Subcommittee representatives, a Party may have other persons attend Compliance Subcommittee meetings for informational purposes, including representatives of [***] if appropriate. Each Party may replace its Compliance Subcommittee representatives at any time upon written notice to the other Party. The Compliance Subcommittee may establish working groups for addressing specific matters under its responsibility.

(c) Specific Responsibilities of the Compliance Subcommittee. The Compliance Subcommittee shall in particular:

(i) At least [***] months prior to the first Regulatory Approval of a Product in the Co-Commercialization Territory or, if earlier, prior to the execution of a Co-Detailing plan pursuant to the MorphoSys Co-Detail option described in Section 2.4(d), coordinate and exchange relevant information about those aspects of each Party's respective compliance programs that are necessary for each Party to adequately perform its activities under this Agreement in a manner consistent with Laws and the regulations, requirements, and best practices promulgated by applicable Regulatory Authorities;

(ii) Participate in the establishment and implementation of the review process of promotional materials pursuant to Section 5.5(b);

(iii) Establish a process for the Parties to review and approve joint activities in the Co-Commercialization Territory and, if applicable, in Germany following the exercise of the MorphoSys co-Detail option described in Section 2.4(d);

(iv) Resolve significant discrepancies between the Parties' respective compliance policies, procedures, and systems which come to the attention of the Parties and relevant to each of the Parties to comply with its obligations under applicable Laws;

(v) Manage compliance with any agreements and settlements with Governmental Authorities to which either of the Parties or their Affiliates engaged in Co-Commercialization of the Product are subject; and

(vi) Perform other such duties as may be specifically delegated to the Compliance Subcommittee under this Agreement by the JSC.

(c) Compliance Subcommittee Meetings. The Compliance Subcommittee shall meet at least once [***] (in person or by teleconference), unless otherwise agreed among the Compliance Subcommittee representatives. Each Party shall report to the Compliance Subcommittee on all material compliance issues that may impact performance of the other Party under this Agreement or is relevant to each of the Parties to comply with its obligations under applicable Laws promptly after such issues arise. Each Party shall bear the expense of its respective Compliance Subcommittee representatives' participation in Compliance Subcommittee meetings. Minutes shall be deemed approved unless one or more representatives of the Compliance Subcommittee object to the accuracy of such minutes within [***] Business Days of receipt.

(d) Compliance Subcommittee Decision-Making. If the Compliance Subcommittee disagree on any important compliance matter, then the Parties shall refer such matter to the relevant Chief Officers at MorphoSys and COMPANY ("**Designated**

CONFIDENTIAL

Compliance Subcommittee Officers") for resolution. In the event of a Dispute between COMPANY and MorphoSys that cannot be resolved within [***] Business Days by the Designated Compliance Subcommittee Officers, the Designated Compliance Subcommittee Officers shall refer the issue to the JSC, which will decide upon the matter pursuant to Section 9.2(e).

9.9 Discontinuation of a Committee. Except as otherwise specifically stated in this Agreement, each committee formed under this Agreement shall continue to exist until the JSC agrees by consensus to disband such committee. Once the committee is disbanded as provided above, such committee shall have no further obligations under this Agreement and all decisions previously allocated to such committee shall thereafter be made by the JSC.

9.10 Alliance Managers. Promptly after the Execution Date, each Party shall appoint a senior representative to act as a coordinator and alliance manager (the "**Alliance Manager**"). Each Party may, at any time, replace its Alliance Manager with another suitably qualified individual, on written notice to the other Party. The Alliance Managers shall be primarily responsible for facilitating communications between the Parties and coordinating the Parties' activities under this Agreement.

10. INVENTIONS

10.1 Ownership of COMPANY Inventions, MorphoSys Inventions and Joint Inventions.

(a) MorphoSys Inventions and COMPANY Inventions. To the extent such Inventions do not belong to Xencor under the Xencor Agreement, as between the Parties, MorphoSys shall solely own, and it alone shall have the right to apply for, Patents for any MorphoSys Inventions and COMPANY shall solely own, and it alone shall have the right to apply for, Patents for any COMPANY Inventions.

(b) Joint Inventions. Subject to Section 10.1(c) below, Joint Inventions and Joint Foreground Patents shall be jointly owned by the Parties. MorphoSys and COMPANY shall each own an undivided one-half interest in any Joint Inventions and any Patents claiming such Joint Inventions, in each case without obligation to account to the other for the exploitation thereof within its respective own Territory and subject to the restrictions set forth in this Agreement. The Parties shall agree in good faith on the exploitation of Joint Inventions and Joint Foreground Patents for activities that are not related to the Licensed Antibody or Product.

(c) MorphoSys Core Improvement Inventions. COMPANY acknowledges that MorphoSys is obliged to assign MorphoSys Core Improvement Inventions to Xencor under the Xencor Agreement and that consequently MorphoSys and COMPANY will assign their interests in any Joint Inventions which constitute MorphoSys Core Improvement Inventions to Xencor.

10.2 Mutual Support. Each Party shall effectuate that the ownership rights of all Inventions that are developed, made or conceived under this Agreement shall vest in the respective Party or Parties in accordance with the ownership principles described in Section 10.1. Each Party shall require any Affiliates, employees, consultants, Sublicensees or independent contractors performing an activity pursuant to this Agreement to assign all Inventions that are the subject

CONFIDENTIAL

of patent applications claiming Inventions that are developed, made or conceived by such Affiliates, employees, consultants, Sublicensees or independent contractors to MorphoSys and/or COMPANY according to the ownership principles described in Section 10.1.

10.3 Disclosures; Disputes Regarding Inventions. Each Party shall promptly disclose to the other Party all Inventions made by it (meaning by its, its Affiliates' or its Sublicensee's employees, consultants, or independent contractors) under this Agreement, including Joint Inventions. Before filing an application, divisional or continuation of **(i)** a Candidate-Specific Patent, **(ii)** a MorphoSys Patent, **(iii)** a COMPANY Foreground Patent, **(iv)** a Joint Foreground Patent or **(v)** Xencor Candidate Specific Product Invention Patent, the filing Party shall provide the other Party with a copy of any proposed patent application at least thirty (30) Business Days before filing such application. If the non-filing Party believes that the filing Party's proposed patent application discloses Confidential Information of the non-filing Party, the non-filing Party shall so notify the filing Party within [***] Business Days before filing of the application, and the filing Party shall amend its proposed application to comply with the confidentiality provisions of this Agreement. If the Parties disagree as to whether an Invention is a Joint Invention, a MorphoSys Invention or a COMPANY Invention, and are unable to reach agreement within [***] calendar days after commencing discussions, then the Parties shall agree on and nominate one external patent counsel to determine inventorship.

11. PROSECUTION AND ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS

11.1 Cooperation regarding Patent Prosecution and Patent Strategy.

The Parties shall, within [***] calendar days after the Execution Date, establish a routine intellectual property call. The intellectual property call shall provide a collaborative forum for the Parties to address intellectual property matters under this Agreement and shall **(a)** be the primary point of contact for the Parties regarding the exchange of information on filing, prosecution, maintenance, enforcement and defense matters of **(i)** Candidate-Specific Patents, **(ii)** MorphoSys Patents, **(iii)** COMPANY Foreground Patents, **(iv)** Joint Foreground Patents and **(v)** Xencor Candidate Specific Product Invention Patents, as set forth in Article 11, **(b)** review and discuss the overall strategy for obtaining, maintaining and enforcing patent protection and aligning the patenting strategy with other exclusivities available for the Product and **(c)** discuss the selection of the Product Marks and the filing, prosecution, maintenance, enforcement and defense of such matters, subject to Section 5.6. The forum shall also be responsible for discussing prosecution strategy with the goal of achieving strong and robust Patents. The prosecuting Party shall consider in good faith the comments of the other Party with respect to strategies for filing and prosecuting such Patents. If the non-prosecuting Party fails to provide its comments reasonably in advance of the deadline for filing or otherwise responding to the patent authorities, the prosecuting Party shall be free to act without consideration of the non-prosecuting Party's comments. The Parties shall also strive to coordinate and align their activities under this Agreement in a professional and pro-active manner. In addition, each Party shall provide to the other Party all data, information and materials necessary to meet any disclosure obligations, e.g. to the USPTO under 37 CFR 1.56. Additionally, in the event either Party determines that it requires a license to Third Party IP to Commercialize the Product, such matter shall be discussed as well.

CONFIDENTIAL

11.2 Patent Prosecution of Xencor Background Patents.

(a) Xencor Background Patents. Subject to Sections 11.2.(c) and 11.7 and if not specified differently below, [***] has the sole right in its sole discretion to perform the filing, prosecution and maintenance of the Xencor Background Patents on a worldwide basis.

(b) Broader Anti-CD19 Patents. [***] has the sole right in its sole discretion to perform the filing, prosecution and maintenance of the Broader Anti-CD19 Patents worldwide. With respect to the prosecution and maintenance costs, [***] bears [***] percent ([***]%), while [***] bears the remaining [***] percent ([***]%).

(c) Candidate-Specific Patents. [***] shall be solely responsible, in its own discretion, to perform the prosecution and maintenance of Candidate-Specific Patents in the [***] and [***] for the prosecution and maintenance [***] shall be [***], while [***] shall be solely responsible, in its own discretion, to perform the prosecution and maintenance of Candidate-Specific Patents [***] and shall be responsible for all of the [***] in the [***].

11.3 Patent Prosecution of Xencor Foreground Patents.

(a) MorphoSys Core Improvement Inventions. Under the Xencor Agreement Xencor has the sole right in its sole discretion to perform the filing, prosecution and maintenance of the MorphoSys Core Improvement Inventions on a worldwide basis.

(b) Xencor Foreground Patents. Under the Xencor Agreement, but subject to Section 11.6, Xencor is responsible to perform the filing, prosecution and maintenance of Xencor Foreground Patents on a worldwide basis.

11.4 Patent Prosecution of MorphoSys Background Patents.

(a) Initial Phase/Patent Filing. [***] shall be responsible for drafting and filing of a MorphoSys Background Patent up to the stage of entry into the national/regional phases.

(b) MorphoSys Background Patents in the Co-Commercialization Territory. [***], in the [***] shall have the right to prepare, file, prosecute (including any reissues, re-examinations, post-grant proceedings, requests for patent term extensions, supplementary protection certificates, interferences, derivation proceedings, supplemental examinations) and maintain the MorphoSys Background Patents.

(c) MorphoSys Background Patents in the COMPANY Territory. [***], in the [***] shall have the right, to prepare, file, prosecute (including any reissues, re-examinations, post-grant proceedings, requests for patent term extensions, supplementary protection certificates, interferences, derivation proceedings, supplemental examinations) and maintain the MorphoSys Background Patents, provided that with respect to Patent family [***] (as specified in **EXHIBIT 2**) [***] shall align with the co-owner of Patent family [***] with respect to the prosecution and maintenance of such Patents in the [***].

CONFIDENTIAL

11.5 Patent Prosecution of MorphoSys Foreground Patents.

(a) Initial Phase/Patent Filing. [***] shall be responsible for drafting and filing of a MorphoSys Foreground Patent up to the stage of entry into the national/regional phases.

(b) Prosecution and Maintenance. [***] shall have the right to prepare, file, prosecute (including any reissues, re-examinations, post-grant proceedings, requests for patent term extensions, supplementary protection certificates, interferences, derivation proceedings, supplemental examinations) and maintain the MorphoSys Foreground Patents in the [***].

11.6 Patent Prosecution of COMPANY Foreground Patents.

(a) Initial Phase/Patent Filing. [***] shall be responsible for drafting and filing of a COMPANY Foreground Patent up to the stage of entry into the national/regional phases.

(b) Prosecution and Maintenance. [***] shall have the right to prepare, file, prosecute (including any reissues, re-examinations, post-grant proceedings, requests for patent term extensions, supplementary protection certificates, interferences, derivation proceedings, supplemental examinations) and maintain the COMPANY Foreground Patents in the [***].

11.7 Xencor Candidate Specific Patents.

(a) Initial Phase/Patent Filing of Xencor Candidate Specific Product Invention Patents. [***] decide on the optimal strategy for drafting, filing, prosecution and maintenance of Xencor Candidate Specific Patents, including the content and the timing of a respective patent application.

(b) National/Regional Phases. Upon entry into the national/regional phases, [***] shall have the right, to prepare, file, prosecute (including any reissues, re-examinations, post-grant proceedings, requests for patent term extensions, supplementary protection certificates, interferences, derivation proceedings, supplemental examinations) and maintain the Xencor Candidate Specific Patents in the [***] and [***] shall have the right, to prepare, file, prosecute (including any reissues, re-examinations, post-grant proceedings, requests for patent term extensions, supplementary protection certificates, interferences, derivation proceedings, supplemental examinations and defense of oppositions) and maintain the Xencor Candidate Specific Patents in the [***]. [***] shall closely cooperate on all prosecutional matters.

11.8 Patent Prosecution of Joint Foreground Patents.

(a) Initial Phase/Patent Filing. Each Party shall promptly disclose to the other in writing, and shall ensure that its Affiliates, or licensees and Sublicensees, and its and their employees, agents and contractors so disclose, the development, making, conception or reduction to practice of any Joint Inventions. [***] decide on the optimal strategy for drafting, filing, prosecution and maintenance of Joint Foreground Patents for Joint Inventions. Such decision shall include the content and the timing of a respective patent application for the respective Joint Invention.

CONFIDENTIAL

(b) National/Regional Phases. Unless otherwise agreed, upon entry into the national/regional phases, [***] shall have the right, to prepare, file, prosecute (including any reissues, re-examinations, post-grant proceedings, requests for patent term extensions, supplementary protection certificates, interferences, derivation proceedings, supplemental examinations) and maintain Joint Foreground Patents in the [***] and [***] shall have the right, to prepare, file, prosecute (including any reissues, re-examinations, post-grant proceedings, requests for patent term extensions, supplementary protection certificates, interferences, derivation proceedings, supplemental examinations and defense of oppositions) and maintain Joint Foreground Patents in the [***]. The Parties shall closely cooperate on all prosecutional matters.

11.9 Right to Take Over. In the event that [***] intends not to prepare, file, prosecute, or maintain (i) a Candidate-Specific Patent, (ii) a MorphoSys Patent, (iii) a COMPANY Foreground Patent, (iv) a Joint Foreground Patent or (vi) a Xencor Candidate Specific Product Invention Patent in any country or jurisdiction within its respective Territory, [***] shall provide reasonable prior written notice to [***] of such intention (which notice shall, in any event, be given no later than [***] weeks prior to the next deadline for any action that may be taken with respect to such Patent in the respective Territory), and [***] shall thereupon have the option, in its sole discretion, to assume the control and direction of the preparation, filing, prosecution, and maintenance of such Patent. Upon [***] written exercise of such option to [***] , [***] shall assume responsibility and full control for the preparation, filing, prosecution, and maintenance of any such Patent, and [***] shall [***]. [***] shall assign to [***] its interest in such Patent and shall execute such documents and perform such acts, [***], as may be reasonably necessary to permit [***] to file such patent application, and/or to prosecute and/or maintain such Patent.

In addition, and unless not agreed otherwise between the Parties, [***] shall prosecute, maintain and enforce the Xencor Background Patents and Xencor Foreground Patents in the event that that [***] abandons or does not enforce, its patent rights, to the extent permissible [***], provided that in the event that [***] intends not to prepare, file, prosecute, or maintain a Xencor Background Patents and Xencor Foreground Patents in any country or jurisdiction, [***] shall provide reasonable prior written notice to [***] of such intention and the procedure set forth under the first paragraph under this Section 11.9 shall apply accordingly.

11.10 Costs. From and after the Effective Date:

(a) Before the entry of the national/regional phase the costs of drafting, filing, prosecution and maintenance of (i) a Candidate-Specific Patent, (ii) a MorphoSys Background Patent, (iii) a Joint Foreground Patent or (iv) Xencor Candidate Specific Product Invention Patent shall be [***]. Thereafter, the costs of prosecution and maintenance of (i) a Candidate-Specific Patent, (ii) a MorphoSys Background Patent, (iii) a Joint Foreground Patent or (iv) Xencor Candidate Specific Product Invention Patent in the [***] shall be [***] and the costs of prosecution and maintenance of (i) a Candidate-Specific Patent, (ii) a MorphoSys Background Patent, (iii) a Joint Foreground Patent or (iv) Xencor Candidate Specific Product Invention Patent [***] shall be [***], provided that with respect to Patent family [***] (as specified in **EXHIBIT 2**) [***] with respect to the drafting, filing, prosecution and maintenance of such Patents in the [***].

(b) Before the entry of the national/regional phase the costs of drafting, filing, prosecution and maintenance of a MorphoSys Foreground Patent shall be [***]. Thereafter, the costs of prosecution and maintenance of a MorphoSys Foreground Patent [***] shall be [***].

CONFIDENTIAL

(c) Before the entry of the national/regional phase the costs of drafting, filing, prosecution and maintenance of a COMPANY Foreground Patent shall be [***]. Thereafter, the costs of prosecution and maintenance of a COMPANY Foreground Patent [***] shall be [***].

(d) Costs that are incurred [***] under this Section 11.10 shall be invoiced on a day-to-day basis, and paid as set forth in Section 8.5.

11.11 Patent Term Extensions. The Parties shall mutually discuss in good faith on patent term extensions, whereas (a) [***] shall have the sole right in its sole discretion and at its sole expense to apply to extend the patent term of (i) a Candidate-Specific Patent, (ii) a MorphoSys Patent, (iii) a COMPANY Foreground Patent, (iv) a Joint Foreground Patent or (vi) a Xencor Candidate Specific Product Invention Patent with respect to a Product in the [***] and (b) [***] shall have the sole right in its sole discretion and at its sole expense to apply to extend the patent term of (i) a Candidate-Specific Patent, (ii) a MorphoSys Patent, (iii) a COMPANY Foreground Patent, (iv) a Joint Foreground Patent or (vi) a Xencor Candidate Specific Product Invention Patent with respect to a Product in the [***], subject to the procedures set forth in the Xencor Agreement and the patent term extension Laws or Supplemental Protection Certificate Laws. Upon the other Party's request each Party shall provide to the other Party and execute all documents and instruments that may be reasonably required to record or perfect an application for patent term extension of the respective other Party. With respect to clauses (i) and (vi) above, [***] will negotiate in good faith to reach mutual agreement with [***] on patent term extensions. If, following such negotiations the [***] are unable to agree on a strategy for patent term extensions, [***] shall assert its final decision-making authority rights in accordance with the Xencor Agreement, with the exception of [***].

11.12 Patent Enforcement.

(a) Notification. Each Party shall promptly notify the other Party in writing if the notifying Party reasonably believes that any Xencor Background Patent, MorphoSys Patent, COMPANY Foreground Patent or any Joint Foreground Patent is being or has been infringed or misappropriated in any territory by a Third Party.

(b) Enforcement in Co-Commercialization Territory. [***] shall [***] with respect to the enforcement of any Candidate-Specific Patent, MorphoSys Patent, or any Joint Foreground Patent with respect to all past, present and future activities or conduct of a Third Party in the [***] that may constitute an infringement of the respective Candidate-Specific Patent, MorphoSys Patent, or Joint Foreground Patent.

(c) Enforcement in COMPANY Territory. [***] shall have the first right, but not the obligation, to enforce any Candidate-Specific Patent, MorphoSys Background Patent, COMPANY Foreground Patent or any Joint Foreground Patent with respect to all past, present and future activities or conduct of a Third Party in the [***] that may constitute an infringement of the respective Candidate-Specific Patent, MorphoSys Background Patent, COMPANY Foreground Patent or Joint Foreground Patent, provided that with respect to Patent family [***] (as specified in **EXHIBIT 2**) [***] shall cooperate with the co-owner of Patent family [***] with respect to the enforcement of such Patents in the [***].

CONFIDENTIAL

(d) Coordination. [***] does not require the consent of [***] to bring an enforcement action in the [***] and with respect to the [***], any enforcement action by [***] requires the consent of [***]. [***] shall reasonably consider [***] comments, if any, on any such enforcement activities, but for the avoidance of doubt, [***], as the case may be, shall control the litigation in all respects and shall make all decisions in its own discretion, subject only to the provisions regarding settlement provided below in Section 11.13.

(e) [***] **Back-up Right for Third Party Infringement of a Candidate-Specific Patent.** If [***], do not bring action to prevent or abate Third Party Patent Infringement within [***] calendar days within their [***] after notification thereof to or by [***] pursuant to Section 11.12(a), then [***] has the right, but not the obligation, to bring, [***], an appropriate action in the respective Territory against any person or entity engaged in such Third Party Patent Infringement of a Candidate-Specific Patent directly or contributorily; whereby [***] is obliged [***] not to initiate legal action without first conferring with [***] and considering in good faith [***] reasons for not bringing any such action. [***] acknowledge that [***] does not require the consent of [***], to bring such an enforcement action and that [***] to control the litigation in all respects and shall make all decisions in its own discretion, subject only to the provisions regarding settlement provided below in Section 11.13.

(f) Xencor Background Patents and Xencor Foreground Patents. [***] acknowledge that with respect to any Infringement of any Xencor Background Patent which is not a Candidate-Specific Patent and Xencor Foreground Patent by Product activities within the scope of the license [***] ("**Shared Patent Competitive Infringement**"), [***] has the first right, but not the obligation, to enforce the Xencor Background Patents which are not Candidate-Specific Patents and Xencor Foreground Patents [***]. [***] further acknowledge that [***] and that [***] shall keep [***] reasonably informed of [***] activities related to prevention or abatement of Shared Patent Competitive Infringement and considers [***] comments on any such activities. If [***] brings suit against a Third Party to enforce Xencor Background Patents which are not Candidate-Specific Patents and Xencor Foreground Patents against Shared Patent Competitive Infringement, [***], shall have the right, at [***] consent, to join the proceedings as a plaintiff, whereby, [***] shall have the right to join the proceedings in the [***] and [***] shall have the right to join the proceedings in the [***], and whereby the respective joining Party [***] depending on the extent of the respective joining Party's participation. If [***] does not bring action to prevent or abate Shared Patent Competitive Infringement within [***] calendar days (or initiate the exchange of patent lists within [***] calendar days of receiving notice of a Biosimilar application within the framework of the Biologics Price Competition and Innovation Act or any foreign equivalent), after notification thereof to or by [***] pursuant to Section 11.12(a), then, [***], (i) [***] have the right, but not the obligation, to bring, [***], an appropriate action in the [***] against any person or entity engaged in such Shared Patent Competitive Infringement directly or contributorily and retain all related recoveries and (ii) [***] has the right, but not the obligation, to bring, [***], an appropriate action in the [***] against any person or entity engaged in such Shared Patent Competitive Infringement directly or contributorily [***]; ***provided, however***, [***] shall not initiate legal action without first conferring with [***] and considering in good faith [***] reasons for not bringing any such action.

CONFIDENTIAL

(g) Infringement of MorphoSys Background Patents by Activities with respect to XmAb5871 Program Antibodies by Third Parties. [***] acknowledge that as to the MorphoSys Background Patents, [***] shall have the right to enforce them against Third Party research, development, manufacture, use, sale, offer for sale, importation or exportation of XmAb5871 Program Antibodies ([***]). [***] agree that, [***] shall have the above right to enforce MorphoSys Background Patents in the Co-Commercialization Territory, while [***] shall have such right in the [***]. [***] undertakes to, as required [***], discuss with [***] in good faith any concerns [***] may have with respect to such enforcement for a period of not less than [***] calendar days before initiating the enforcement of a MorphoSys Background Patent in [***]. Under [***] only has the right to enforce MorphoSys Background Patents against Third Party research, development, manufacture, use, sale, offer for sale, importation or exportation of XmAb5871 Program Antibodies ([***]) if [***] grants its withholdable consent for [***] to do so. [***] may request such consent and will meet and confer with [***] as to the proposed enforcement. [***] shall have the right to grant its withholdable consent for [***] and to meet and confer with [***] with regard to requests for consent of [***] which relate to the [***] while [***] shall have such right with regard to requests for consent of [***] which relate to the [***]. If [***] elects to enforce, and [***], consents, then [***], shall cooperate by being joined in name as a party plaintiff ([***]) and under the [***] shall not knowingly take any position in the suit that would make any admission as to the unenforceability or invalidity of any MorphoSys Background Patent, unless [***], approves of such position or has already taken such position in litigation.

(h) Participation of [***] **with Respect to Infringement Suits.** [***] acknowledge (i) that [***] if [***] brings an action against infringement [***] bringing the action shall maintain control of the action and [***] shall be entitled to separate representation in such matter by counsel of its own choice [***], and [***] shall cooperate fully with [***] bringing such action including by being joined as a party plaintiff if necessary to obtain standing for such action ([***] of the [***], including [***] of [***] being joined), (ii) that [***] related to cooperation with [***] bringing the action will be [***] on an on-going basis, and (iii) [***] the above rights and obligations under (i), (ii) and (iii) shall apply to [***] with regard to [***] and to [***] with regard to [***].

(i) Other Xencor Background Patents. Should any Xencor Background Patent not be covered by the above provisions under Sections 11.12(b) to (g), then the following shall apply: To the extent that [***] or pursuant to applicable Laws has the right to enforce such Xencor Background Patent against activities infringing such Xencor Background Patent or to support such enforcement, e.g. by joining infringement proceedings, [***] shall have such right (but not the obligation) within [***] while [***] shall have such right (but not the obligation) within [***].

(j) Right to Take Over. If [***] fails to institute or defend such litigation or otherwise take steps to remedy the infringement of a Candidate-Specific Patent, MorphoSys Patent, COMPANY Foreground Patent or any Joint Foreground Patent, within [***] calendar days (or any shorter period required by applicable Laws) of the date [***] has provided notice to [***] of such infringement or claim pursuant to Section 11.12(a), then [***] will have the right (but not the obligation), [***], to bring or defend any such suit, action or proceeding by counsel of its own choice. [***] elects not to take steps will have the right, [***], to be represented in any such action by counsel of its own choice. In case of nullity actions, opposition proceedings or other proceedings challenging the

CONFIDENTIAL

validity of a Candidate-Specific Patent, MorphoSys Patent, COMPANY Foreground Patent or any Joint Foreground Patent [***] having the first right to defend such action pursuant to Sections 11.12(b), 11.12(c),11.12(f), and 11.12(h) and above shall during the [***] calendar days period pursuant to sentence 1 in any event carry out all steps and activities required to prevent that the respective Patent is invalidated or otherwise deteriorated by way of a default judgment or a similar decision of the responsible legal body following from the failure of [***] to carry out certain steps and/or activities required by the applicable Laws and procedural rules.

(k) Enforcement of step in rights. Notwithstanding anything to the contrary in the foregoing, to the extent that [***] has step in rights to enforce any Candidate-Specific Patent or other Xencor Background Patent, [***] shall not exercise such right with respect to any Candidate-Specific Patent or other Xencor Background Patent without [***] prior written consent, which consent shall not be unreasonably withheld.

11.13 Settlement.

(a) [***] shall not settle a claim brought under Section 11.12 involving a Candidate-Specific Patent, a Xencor Background Patent, a MorphoSys Patent, a COMPANY Foreground Patent or a Joint Foreground Patent in a manner that would [***], or make any admission as to invalidity or unenforceability of any Candidate-Specific Patent, MorphoSys Patent, COMPANY Foreground Patent or Joint Foreground Patent in each case without the prior written consent of [***] (which consent shall not be unreasonably withheld, conditioned or delayed).

(b) [***] shall not settle a claim brought under Section 11.12 involving a Candidate-Specific Patent, a MorphoSys Patent, a COMPANY Foreground Patent or a Joint Foreground Patent in a manner that would [***], or make any admission as to invalidity or unenforceability of any Candidate-Specific Patent, MorphoSys Patent, COMPANY Foreground Patent or Joint Foreground Patent in each case without the prior written consent of [***] (which consent shall not be unreasonably withheld, conditioned or delayed).

11.14 Allocation of Proceeds. Any settlements, damages or other monetary awards (a "**Recovery**") recovered pursuant to a suit, action or proceeding brought pursuant to Article 11 will be allocated, [***]:

[***]

11.15 Infringement of Third-Party Rights.

(a) If the Development, Manufacture or Commercialization of the Product by either Party, its Affiliates, Sublicensees, as applicable, or other licensees becomes the subject of a Third Party's claim or assertion of infringement of a Patent relating to the Manufacture, use, sale, offer for sale or importation of a Product, the Party first having notice of the claim or assertion shall promptly notify the other Party, and the Parties shall promptly confer to consider the claim or assertion and the appropriate course of action. [***]. In any event, the Parties shall reasonably assist one another and cooperate in any such litigation at the other Party's request and expense.

[***]

CONFIDENTIAL

11.16 Patent Oppositions and Other Proceedings. If either Party desires to bring an opposition, action for declaratory judgment, nullity action, interference, re-examination or other attack upon the validity, title or enforceability of a Patent owned or controlled by a Third Party that covers or may cover the Manufacture, use for the Field or sale of any Product, such Party shall notify the other Party. The Parties shall closely cooperate on such oppositions and other proceedings.

11.17 Affiliates / Sublicensees. To the extent this Agreement provides for such rights of COMPANY, COMPANY may grant to its Affiliates or Sublicensees its rights to prosecute any Candidate-Specific Patent, MorphoSys Background Patent, COMPANY Foreground Patent, Xencor Candidate Specific Patents and/or any Joint Foreground Patent as set forth in Sections 11.2 (c), 11.4, 11.6, 11.7 and 11.8.

11.18 Compensation to Inventors. As between the Parties, only MorphoSys shall be responsible for any compensation and any other payments due to the inventors of any Patents owned or co-owned by MorphoSys and only COMPANY shall be responsible for any compensation and any other payments due to the inventors of any Patents owned or co-owned by COMPANY. With respect to Joint Patents, each Party shall be responsible for compensating its own inventors.

11.19 Patent Assistance. Each Party shall do or procure to be done all such acts and things, and execute or procure the execution of all such documents, as the other Party may from time to time reasonably request to assist the other Party in the preparation, filing, prosecution, maintenance and enforcement activities described in this Article 11.

11.20 Patent Challenges. [***].

12. NON-COMPETE

12.1 Non-Compete Obligation. During the Term, neither Party shall, and will ensure that its Affiliates and Sublicensees (and, with respect to Sublicensees, to the extent permitted by applicable Law) performing Commercialization related functions will not, directly or indirectly, clinically develop, have clinically developed, commercialize or have commercialized a Competing Product in the Field in the Territory; unless the Parties mutually agree on the terms and conditions to jointly Develop and Commercialize in their respective Territory such Competing Product. A breach of this Section 12.1 may constitute a Material Breach of this Agreement giving rise to the termination right set forth in Section 17.2(a); ***provided that*** in case of a Change of Control of a Party as set forth in Section 12.2, such Party shall not be regarded as being in Material Breach of this Agreement, if the Acquirer (as defined below) already develops or commercializes a Competing Product at the time of the Change of Control.

12.2 Change of Control by Acquirer. In case a Party or any of its Affiliates undergoes a Change of Control, such Party will notify the other Party as reasonably possible in advance, however no later than upon effective date of such Change of Control.

(a) The Third Party taking over control ("**Acquirer**") shall confirm in writing within [***] Business Days after the effective date of the Change of Control to the other Party that it will continue to perform the Development and Commercialization of Licensed Antibody and/or Product under this Agreement according to the then-current Development Plan, Co-Commercialization Plan and COMPANY Commercialization Plan, including respective budgets.

CONFIDENTIAL

(b) In case the Acquirer or any of its Affiliates directly or indirectly clinically develops, has clinically developed, commercializes or has commercialized a Competing Product, the acquiree ("**Acquiree**") will indicate this fact in its abovementioned notification under 12.2(a) to the other Party. The Acquiree shall, and shall ensure that Acquirer shall as well, meet with the other Party within [***] months after closing the transaction of such Change of Control to discuss the Development and Commercialization plan of the Acquirer for Licensed Antibody and Products.

(c) In case such Acquirer or any of its Affiliates directly or indirectly clinically develops, has clinically developed, commercializes or has commercialized a Competing Product, the Acquirer shall confirm in its abovementioned notification under 12.2(a) to the other Party that it will (i) perform the Development in the Territory and Commercialization in the Territory of Licensed Antibody and/or Product according to a development and commercialization plan which is at least as strenuous as the last Development Plan for the Territory and the Co-Commercialization Plan for the Co-Commercialization Territory and the COMPANY Commercialization Plan for the COMPANY Territory (if applicable) of the Acquiree prior to the Change of Control and which provides for at least similar efforts for Licensed Antibody(ies) and Product(s) as for the development and commercialization of the Acquirer's Competing Product; (ii) devote at least as much effort to the Development and Commercialization of Licensed Antibody and/or Product as to the development and commercialization of the Competing Product; and (iii) within [***] days after the effective date of such Change of Control, set-up and maintain totally separate and distinct teams in all areas and on all levels below the Vice-President or General Manager level, as applicable, with appropriate firewalls and boundaries in place to prevent any sharing of any information that is related to the Product (including Development, Manufacture and Commercialization thereof) and the development, manufacture and commercialization of the Competing Product, including handle such Competing Product by a team of sales representatives and medical affairs representatives of such Party that is different from the teams that handle the Product(s). A breach of this Section may constitute a Material Breach of this Agreement giving rise to the termination right set forth in Section 17.2(a).

13. REPRESENTATION AND WARRANTIES, COVENANTS

13.1 Reciprocal Representations and Warranties. Each Party represents and warrants to the other Party that:

(a) It is duly organized and validly existing under the Laws of its state or country of incorporation, and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof;

(b) This Agreement is a legal and valid obligation binding upon its execution and enforceable against it in accordance with its terms and conditions;

(c) The execution, delivery and performance of this Agreement by such Party has been duly authorized by all necessary corporate action, and the person executing this Agreement on behalf of such Party has been duly authorized to do so by all requisite corporate actions;

CONFIDENTIAL

(d) The execution, delivery and performance of this Agreement by it does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any material Law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it;

(e) It has not granted, and shall not grant during the Term of the Agreement, any right to any Third Party which would conflict with the rights granted to the other Party hereunder.

13.2 MorphoSys Warranties. Except as disclosed in **EXHIBIT 19** ("**Disclosure Schedule**"), MorphoSys hereby warrants and represents to COMPANY as of the Execution Date that:

(a) MorphoSys has the right to grant the licenses under the Xencor Foreground Patents, Xencor Background Patents, Xencor Know-How, MorphoSys Patents, MorphoSys Know-How and MorphoSys' interest in any Joint Foreground Patents as set forth in this Agreement and for COMPANY's use in any Indication in the Field;

(b) Xencor Background Patents listed on **EXHIBIT 3** and MorphoSys Background Patents listed on **EXHIBIT 2**, save for the Patent family [***] (as specified in **EXHIBIT 2**) which is co-owned by MorphoSys, Xencor Know-How listed on **EXHIBIT 4B** and MorphoSys Know-How listed on **EXHIBIT 4A** are Controlled by MorphoSys free and clear of any liens, charges, and encumbrances or licenses in the Field, to the extent needed in order to grant the license as set forth in this Agreement;

(c) MorphoSys has not received from any Third Party any written notice stating any claim that any Patent right owned or controlled by such Third Party would be infringed by the Development, Manufacture, Commercialization of Licensed Antibody or Product;

(d) To MorphoSys' Knowledge, the Xencor Background Patents, and the MorphoSys Patents which are granted Patents on the Execution Date are valid and enforceable and MorphoSys has complied with all applicable Laws in all material respects and duties of candor with respect to the filing, prosecution and maintenance of the Xencor Background Patents, and the MorphoSys Patents. MorphoSys has paid (with respect to the MorphoSys Patents for which it is responsible for prosecution and maintenance) and, to MorphoSys' Knowledge, Xencor has paid (with respect to the Xencor Background Patents for which Xencor is responsible for prosecution and maintenance), all maintenance and annuity fees with respect to the MorphoSys Patents, Xencor Background Patents due as of the Effective Date. To MorphoSys' Knowledge, no action or proceeding regarding inventorship of a MorphoSys Patent, or to MorphoSys' knowledge, regarding inventorship of a Xencor Background Patent or Xencor Foreground Patent, has been brought or threatened in writing; "**MorphoSys' Knowledge**" means, when referring to the knowledge of MorphoSys, the actual knowledge of MorphoSys' personnel with the following titles: [***].

(e) MorphoSys has provided to COMPANY in the Data Room true and correct partially-redacted copies of the [***] and the Xencor Agreement in their current form, which agreements are in full force and effect. MorphoSys is not in breach of either of

CONFIDENTIAL

the Xencor Agreement or the [***]. MorphoSys has not received any written notice of breach of the [***] or the Xencor Agreement. To MorphoSys' Knowledge (i) Xencor is not in breach of the Xencor Agreement and (ii) [***]; and MorphoSys has not received any written notice of breach of the [***] or the Xencor Agreement. MorphoSys applied reasonable efforts to ensure that none of the redactions made to the [***] and the Xencor Agreement provided to COMPANY by MorphoSys contain provisions that would be reasonably considered material to COMPANY'S assessment of the transaction underlying this Agreement or the terms of this Agreement;

(f) MorphoSys has complied with all applicable Law in all material respects in conducting the MorphoSys Trials;

(g) The Development of any Licensed Antibody and/or the Product(s) by MorphoSys, or to MorphoSys' Knowledge with respect to any subcontractors, as of the Effective Date has been carried out in all material respects in accordance with all applicable Laws and applicable GLP, GCP and/or GMP standards, and MorphoSys is not aware of any problems concerning the safety or efficacy of any Licensed Antibody and/or the Product(s) raised by any Regulatory Authority with respect thereto;

(h) MorphoSys and its Affiliates have complied with the Data Protection Laws in all material respects at all times in accessing, collecting, using or otherwise processing any Personal Data in connection with the Development of any Licensed Antibody and/or the Product(s), including by entering into appropriate contractual arrangements with any Third Parties, and to MorphoSys' Knowledge, no material claim, action, proceeding, suit, investigation or complaint: (a) is pending by or against MorphoSys or its Affiliates; or (b) has been threatened by or against MorphoSys or its Affiliates, alleging a violation or potential violation of any person's rights in relation to their Personal Data under Data Protection Laws; and

(i) MorphoSys US Inc., a Delaware corporation, is a wholly owned subsidiary of MorphoSys AG.

13.3 COMPANY Warranties. COMPANY hereby warrants, covenants and represents to MorphoSys as of the Execution Date that:

(a) COMPANY and its Affiliates do not own or Control any Competing Product;

(b) Subject to the representations and indemnities expressly contained in this Agreement, COMPANY accepts the Licensed Antibody program in the condition it is in on the Execution Date, based upon its own inspection, examination and determination with respect thereto (including the due diligence investigation conducted by it), without reliance upon any express or implied representations or warranties of any nature of MorphoSys or any employee, advisor or other representative of MorphoSys.

13.4 Additional MorphoSys Covenant. MorphoSys agrees that, during the Term:

(a) it will not, and will cause its Affiliates not to **(i)** terminate, whether for convenience or otherwise, the Xencor Agreement without COMPANY's prior written consent; **(ii)** terminate, whether for convenience or otherwise, the [***] without COMPANY's prior written consent, which after the consummation of a successful Technology Transfer for Development and Commercial Supply in

CONFIDENTIAL

the COMPANY Territory and the Co-Commercialization Territory pursuant to Section 6.6 shall not be unreasonably withheld, or **(iii)** [***] or the Xencor Agreement in any manner that would materially adversely affect the rights granted to COMPANY hereunder without COMPANY's prior written consent; and

(b) it will, and will cause its Affiliates to comply in all material respects with the terms of the Xencor Agreement and the [***].

13.5 DISCLAIMER OF WARRANTY. EXCEPT FOR THE EXPRESS WARRANTIES SET FORTH IN SECTIONS 13.1 TO 13.3, THE PATENTS AND KNOW-HOW PROVIDED BY EACH PARTY HEREUNDER ARE PROVIDED "AS IS" AND EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION THE WARRANTIES OF DESIGN, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICES, IN ALL CASES WITH RESPECT TO THE PATENTS AND KNOW-HOW OR OTHERWISE WITH RESPECT TO THE ACTIVITIES UNDER THIS AGREEMENT. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EACH PARTY EXPRESSLY DOES NOT WARRANT (I) THE SUCCESS OF ACTIVITIES PERFORMED PURSUANT TO THIS AGREEMENT OR (II) THE SAFETY, EFFICACY OR USEFULNESS FOR ANY PURPOSE OF THE PATENTS OR KNOW-HOW IT PROVIDES UNDER THIS AGREEMENT OR THE SUBJECT MATTER OF THEM.

14. INDEMNIFICATION AND INSURANCE

14.1 Indemnification by MorphoSys.

(a) **General Indemnification by MorphoSys.** MorphoSys shall defend, indemnify and hold harmless COMPANY, its Affiliates, and their respective directors, officers, employees and agents ("**COMPANY Indemnitees**") from and against any losses, damages, liabilities, fines, amounts paid in settlements, costs and expenses (including reasonable attorneys' fees and expenses) (collectively, "**Losses**") in connection with any demand, claim, action or proceeding brought or initiated by a Third Party (each, a "**Third Party Claim**") to the extent arising from or occurring as a result of or in connection with **(i)** MorphoSys', its Affiliates or its Sublicensees' exercise of rights under this Agreement, including the Development, storage, handling, use, Commercialization, or importation of any Licensed Antibody or Product by MorphoSys or any of its Affiliates or Sublicensees in or for the Co-Commercialization Territory **(ii)** any breach by MorphoSys of its representations, warranties, covenant or obligations under this Agreement, **(iii)** any Product in the Co-Commercialization Territory that MorphoSys expressly and deliberately decides not to withdraw, recall or provide any market notification in accordance with Section 4.9 although COMPANY and one or more competent Regulatory Authorities expressly recommended in writing to MorphoSys the withdrawal, recall or provision of any market notification with respect to such Product, or **(iv)** the gross negligence or wilful misconduct of any MorphoSys Indemnitee; ***provided, however,*** with regards to (i) through (iv) above, excluding [***] (which, for clarity, shall be

CONFIDENTIAL

governed solely by Section 14.1(b), (c) and (d), as applicable) and except to the extent that COMPANY has an indemnification obligation pursuant to Section 14.2 for such Loss and provided that COMPANY Indemnitees comply with the procedure set forth in Section 14.3 and except to the extent that such Losses are in connection with any demand, claim, action or proceeding brought by a Third Party relating to the Patent of a Third Party or relating to [***] as of the Execution Date under the [***].

(b) Indemnification by MorphoSys regarding [***].

(i) Subject to the limitations set out in subsections 14.1(b)(ii), (iii) and (iv) below, MorphoSys shall indemnify and hold harmless COMPANY, its Affiliated Companies and its and its Affiliated Companies' Representatives from and against any third party (as each of Affiliated Companies and Affiliated Companies' Representatives is understood in the [***]) claim with respect to Licensed Antibody or Product [***], **(A)** to COMPANY for the COMPANY Territory or **(B)** for Commercialization by the Parties in the Co-Commercialization Territory, in each case of (A) or (B), to the extent such third party claims are arising from **(1)** [***] negligent or willful breach of [***] representations and warranties given in [***] **(2)** [***] negligent or willful non-compliance with its obligations under the [***], or **(3)** a Third Party patent holder asserting a claim that [***] use of its intellectual property rights in connection with [***] performance of its services [***] the Licensed Antibody or the Product infringes such Third Party's intellectual property rights, in each case of (1) through (3) above, except to the extent **(I)** COMPANY has contributed to such third party claims by COMPANY's, its Affiliated Companies or its Affiliated Companies' Representatives' negligent or wilful breach of its representations or warranties given under Sections 13.1 or 13.3, or by COMPANY's, its Affiliated Companies or its Affiliated Companies' Representatives' negligent or wilful non-compliance with its obligations under this Agreement, **(II)** such third party claims result from COMPANY's use of the rights or licences granted by MorphoSys hereunder not in accordance with this Agreement or **(III)** COMPANY has an indemnification obligation pursuant to Section 14.2.

(ii) The following shall apply to the above obligation of MorphoSys:

(1) Notwithstanding anything to the contrary set forth in Section 14.1(b)(i) above, MorphoSys' indemnification obligations thereunder with respect to seeking indemnification from [***] shall be limited to MorphoSys being obligated to use diligent efforts to exercise its rights, to the extent available, under [***] provided that, in considering diligent efforts hereunder, MorphoSys shall take into account the interests of COMPANY to be remedied under this Section 14.1(b).

(2) MorphoSys' indemnification and liability obligation under this Section 14.1(b) shall be limited to and shall in terms of scope and extent in no respect exceed [***]. Further, MorphoSys shall be entitled to defend itself against a claim brought under Section 14.1(b), including by asserting the same defenses, which are available to and ultimately asserted by [***] against a

CONFIDENTIAL

respective claim brought against [***]; the limitation periods applicable under the [***] for such claim under [***] shall apply for a claim brought under Section 14.1(b) of this Agreement against MorphoSys.

(3) Without limiting the foregoing subsections 14.1(b)(ii)(1) and (2), MorphoSys' obligations under Section 14.1(b)(i) shall always be subject to the following DISCLAIMER OF DAMAGES under (y) and subject to the following CAPS under (z):

(y) EXCEPT FOR CASES OF WILLFUL MISCONDUCT AND SUCH CASES WHERE A LIMITATION OF LIABILITY OR A LIMITATION OF INDEMNIFICATION OBLIGATIONS IS NOT PERMITTED UNDER [***] LAW, FOR WHICH CASES THERE SHALL BE NO LIMITATION OF LIABILITY OR INDEMNIFICATION OBLIGATIONS, IN NO EVENT, EITHER DIRECTLY OR BY WAY OF INDEMNIFICATION, AND IRRESPECTIVE OF THE THEORY OF LIABILITY, OF WHETHER BREACH OF CONTRACT, TORT OR OTHERWISE, SHALL MORPHOSYS BE LIABLE AND/OR INDEMNIFY FOR ANY INCIDENTAL, INDIRECT, EXEMPLARY, SPECIAL, PUNITIVE, ENHANCED, OR CONSEQUENTIAL DAMAGES (THE AFOREMENTIONED TERMS TO BE INTERPRETED UNDER THE RESPECTIVE LAWS [***]) ARISING FROM, RELATED TO OR IN CONNECTION WITH THIS SECTION 14.1(b) INCLUDING, WITHOUT LIMITATION ANY CLAIMS FOR DAMAGES BY THIRD PARTIES, CLAIMS FOR DAMAGES BASED UPON LOST PROFITS, LOSS OF REPUTATION OR LOSS OF GOODWILL, EVEN IF MORPHOSYS HAS BEEN ADVISED OF THE POSSIBLITY OF SUCH DAMAGES. PROVIDED, HOWEVER, THAT THIS DISCLAIMER OF CONSEQUENTIAL DAMAGES SHALL NOT APPLY IF AND TO THE EXTENT MORPHOSYS IS OBLIGATED TO INDEMNIFY ONE OR MORE PARTIES UNDER SECTION 14.1(b)(i) FOR (A) THIRD PARTY CLAIMS FOR DAMAGES CAUSED BY A RECALL, (B) THIRD PARTY CLAIMS RELATING TO DEATH OR BODILY HARM CAUSED BY [***] PRODUCT OR (C) THIRD PARTY CLAIMS FOR BREACH OF THIRD PARTY INTELLECTUAL PROPERTY RIGHTS BY [***], (D) BREACH OF [***] CONFIDENTIALITY OBLIGATIONS ARISING UNDER [***].

MORPHOSYS' OBLIGATION UNDER SECTION 14.1(b) SHALL, TO THE FULL EXTENT ALLOWABLE UNDER APPLICABLE LAW, NOT COVER ANY REMEDY, COMPENSATION OR INDEMNIFICATION FOR LOSS OF THE VALUE OF THE PRODUCT DUE TO A NEGLIGENT OR WILLFUL BREACH OF [***]).

CONFIDENTIAL

ALL AFOREMENTIONED, TO THE FULL EXTENT ALLOWABLE UNDER APPLICABLE LAW, WILL BE SUBJECT TO THE OTHER LIMITATIONS, CAPS AND REQUIREMENTS SET OUT IN THIS SECTION 14.1(b)(ii).

(z) THE AFOREMENTIONED OBLIGATION OF MORPHOSYS UNDER SECTION 14.1(b) SHALL, TO THE FULL EXTENT ALLOWABLE UNDER [***] LAW, further BE SUBJECT TO THE LIMITATIONS AND CAPS WHICH APPLY TO MORPHOSYS', ITS AFFILIATED COMPANIES' AND ITS OR ITS AFFILIATED COMPANIES' REPRESENTATIVES' CLAIMS AS SET FORTH IN [***], PROVIDED THAT IF AND TO THE EXTENT SUCH LIMITATIONS AND CAPS ARE MORE RESTRICTIVE THAN THOSE SET FORTH IN THIS SECTION 14.1(b)(ii) AND, IN CASE MORPHOSYS IS OBLIGATED TOWARDS COMPANY PURSUANT TO SECTION 14.1(b)(iii), IN ADDITION AS SET FORTH IN [***] AND ALL SUCH LIMITATIONS SHALL LIKEWISE APPLY MUTATIS MUTANDIS FOR MORPHOSYS' OBLIGATIONS UNDER THIS SECTION 14.1(b). THE AFOREMENTIONED PROVISIONS ARE SET OUT IN **EXHIBIT 20** WHICH IS HEREBY INCORPORATED INTO, AND SHALL BE AN INTEGRAL PART OF, THIS SECTION 14.1(b).

(4) To be eligible to be indemnified pursuant to this Section 14.1(b), [***] shall provide [***] with prompt notice of the third party claim giving rise to the indemnification obligation arising pursuant to this Section 14.1(b) and, to the extent legally possible, giving [***] the [***] ability to defend (with the reasonable cooperation of [***] or settle any such claim, provided, however, that [***] shall not enter into any settlement that admits fault, wrongdoing or damages without [***] written consent, such consent not to be unreasonably withheld or delayed. [***] shall have the right to participate, [***] and with counsel of its choice, in the defense of any claim or suit that has been assumed by the [***] subject to the relevant terms of [***].

(5) In the event that, on the one side, [***], and, on the other side, [***] are held jointly liable for any third party claims, the party which satisfies such third party may demand adjustment of advancements from the other party [***], provided, however, that [***] accepts that [***] shall (i) only be obligated to compensate within [***] and (ii) be entitled to demand from the other party or parties adjustments that exceed the limits of [***].

(iii) For the purpose of this Section 14.1(b) the term 'Affiliated Companies' and the term 'Representative' shall be defined and interpreted as under [***]. Except as explicitly set forth in Section 14.1(b)(i) or Section 14.1(b)(ii) above, Section 14.1(b) and EXHIBIT 20 shall be interpreted under [***] law [***] and in the same manner as interpreted in [***].

CONFIDENTIAL

(iv) Subject to Section 11.15, if [***] determines that it may be desirable to obtain a license from a Third Party to settle a claim by Third Party patent holder asserting that [***] designated by [***], use of its intellectual property rights in connection with such [***] of its services when [***] infringes such Third Party's intellectual property rights, [***] shall promptly notify [***] of such determination in writing giving detailed reasoning and the Parties shall discuss, through the JSC, the necessity or usefulness to obtain such Third Party's license. [***] shall have the first right to reasonably lead negotiations and conclude such license for [***]. [***] shall have the right to participate in any such negotiation. [***] shall keep [***] informed and shall take due account of [***] interests, and [***] shall provide any assistance reasonably requested. In case a license is concluded, [***] such Third Party Payments in accordance with [***] with respect to [***]. With respect to such Third Party Payments relating to the [***].

(v) THE REMEDIES SET FORTH IN SECTION 14.1(b)(i), AND THE REMEDIES SET FORTH IN SECTION 11.15 WITH RESPECT TO [***] CLAIMS, CONSTITUTE COMPANY'S (AND ITS AFFILIATED COMPANIES' AND ITS AND ITS AFFILIATED COMPANIES REPRESENTATIVES') SOLE AND EXCLUSIVE REMEDY WITH RESPECT TO CLAIMS SUBJECT TO LIABILITY AND INDEMNIFICATION UNDER THIS SECTION 14.1(b) AND SECTION 11.15.

(c) **Liability/Indemnification for** [***] **Product** [***]**.** Except in case of a [***], in which case this Section 14.1(c) shall not apply, MorphoSys shall **(A)** be liable for Losses or **(B)** defend, indemnify and hold harmless COMPANY Indemnitees from and against any Losses in connection with any Third Party Claim, each with respect to Licensed Antibody or Product [***] for the Co-Commercialization Territory or the Company Territory to the extent arising from or occurring as a result of or in connection with **(i)** [***] **(ii)** [***], or **(iii)** a Third Party patent holder asserting a claim that [***] infringe its rights, in each case of (i) through (iii) above, except to the extent any COMPANY Indemnity has contributed to Losses or Third Party claims by COMPANY's' breach of COMPANY's representations or warranties given under Sections 13.1 or 13.2, or by COMPANY Indemnitees' negligent or wilful non-compliance with its obligations under this Agreement or [***] and further except to the extent that COMPANY has an indemnification obligation pursuant to Section 14.2 or under [***], provided however that all indemnification obligations set forth in this Section 14.1(c) shall be limited to and shall in terms of scope, extent and limitations in no respect exceed what MorphoSys and/or its Affiliates are entitled to claim, if any, from [***]. THE REMEDIES SET FORTH IN THIS SECTION 14.1(c) CONSTITUTE COMPANY'S (AND ITS AFFILIATES') SOLE AND EXCLUSIVE REMEDY WITH RESPECT TO CLAIMS SUBJECT TO THIS SECTION 14.1(c).

(d) **Indemnification for** [***] **Product.** Except in case of [***], in which case this Section 14.1(d) shall not apply, MorphoSys shall defend, indemnify and hold harmless, COMPANY Indemnitees from and against any Losses in connection

CONFIDENTIAL

with any Third Party Claim with respect to Licensed Antibody or Product [***] to the extent arising from or occurring as a result of or in connection with (i) any of MorphoSys' or its Affiliate's breach of MorphoSys' or its Affiliate's representations and warranties [***] (ii) MorphoSys' or its Affiliate's non-compliance with its obligations [***], or (iii) a Third Party patent holder asserting a claim that MorphoSys' or its Affiliate's use of its intellectual property rights or [***] infringe its rights, in each case of (i) through (iii) above, except to the extent COMPANY has contributed to Third Party claims by any COMPANY's breach of its representations or warranties given under Sections 13.1 or 13.2 or, or by any COMPANY Indemnitees' non-compliance with its obligations under this Agreement or [***] and further except to the extent that Company has an indemnification obligation pursuant to Section 14.12.

14.2 Indemnification by COMPANY.

(a) **General Indemnification.** COMPANY shall defend, indemnify and hold harmless MorphoSys, its Affiliates, and their respective directors, officers, employees, and agents ("**MorphoSys Indemnitees**") from and against any Losses in connection with any Third Party Claim to the extent arising from or occurring as a result of or in connection with: **(i)** COMPANY's, its Affiliates' or its Sublicensees' exercise of rights under this Agreement, including the Development, storage, handling, use, Commercialization, or importation of any Licensed Antibody or Product by COMPANY or any of its Affiliates or Sublicensees in or for the COMPANY Territory, **(ii)** COMPANY's, its Affiliates' or Sublicensees' exercise of the rights granted under this Agreement with respect to the Co-Commercialization Territory, including the Co-Commercialization of any Licensed Antibody or Product by COMPANY or any of its Affiliates or Sublicensees in or for the Co-Commercialization Territory, **(iii)** any breach by COMPANY of its representations, warranties, covenants or obligations under this Agreement, or **(iv)** the gross negligence or wilful misconduct of any COMPANY Indemnitee; ***provided, however,*** with regards to (i) through (iv) above, excluding [***] (which, for clarity, shall be governed solely by Section 14.214.1(b) and (c)) and except to the extent that MorphoSys has an indemnification obligation pursuant to Section 14.1 for such Loss and provided that MorphoSys Indemnitees comply with the procedure set forth in Section 14.3.

(b) **Liability/Indemnification for** [***] **Product** [***]**.** COMPANY shall **(A)** be liable for Losses or **(B)** defend, indemnify and hold harmless MorphoSys Indemnitees from and against any Losses in connection with any Third Party Claim, each with respect to Licensed Antibody or Product [***] to the extent arising from or occurring as a result of or in connection with **(i)** [***] **(ii)** [***], or **(iii)** a Third Party patent holder asserting a claim that [***] infringe its rights, in each case of (i) – (iii) above, except to the extent MorphoSys has contributed to Losses or Third Party claims by MorphoSys' breach of its representations or warranties given under Sections 13.1 or 13.2, or by any MorphoSys Indemnity's non-compliance with its obligations under this Agreement or [***] and further except to the extent that MorphoSys has an indemnification obligation pursuant to Section 14.1 or [***];***provided, however*** that all indemnification obligations set forth in this Section 14.2(b) shall be limited to and shall in terms of scope, extent and

CONFIDENTIAL

limitations in no respect exceed what COMPANY and/or its Affiliates are entitled to claim, if any, from [***]. THE REMEDIES SET FORTH IN THIS SECTION 14.2(b) CONSTITUTE MORPHOSYS' (AND ITS AFFILIATES') SOLE AND EXCLUSIVE REMEDY WITH RESPECT TO CLAIMS SUBJECT TO THIS SECTION 14.2(b).

(c) **Indemnification for** [***] **Product.** COMPANY shall defend, indemnify and hold harmless MorphoSys Indemnitees from and against any Losses in connection with any Third Party Claim with respect to Licensed Antibody or Product [***] to the extent arising from or occurring as a result of or in connection with (i) COMPANY's or its Affiliate's breach of COMPANY's or its Affiliate's representations and warranties in [***] (ii) COMPANY's or its Affiliate's non-compliance with its obligations under [***], or (iii) a Third Party patent holder asserting a claim that COMPANY's or its Affiliate's use of its intellectual property rights or [***], in each case of (i) – (iii) above, except to the extent MorphoSys has contributed to Third Party claims by MorphoSys' breach of its representations or warranties given under Sections 13.1 or 13.2, or by any MorphoSys Indemnity's non-compliance with its obligations under this Agreement or [***] and further except to the extent that MorphoSys has an indemnification obligation pursuant to Section 14.1.

14.3 Indemnification Procedure. Subject to the indemnification procedure for the indemnification in Section 14.2(b) as set out in Section 14.1(b)(ii), the following shall apply to all indemnification claims under this Agreement:

(a) **Notice of Claim.** All indemnification claims in respect of a Party, its Affiliates or their respective directors, officers, employees and agents (collectively, the "**Indemnitees**" and each an "**Indemnitee**") shall be made solely by such Party to this Agreement (the "**Indemnified Party**"). The Indemnified Party shall give the indemnifying Party (the "**Indemnifying Party**") prompt written notice (an "**Indemnification Claim Notice**") of any Third Party Claim or discovery of fact upon which such Indemnified Party intends to base a request for indemnification under Section 14.1 or Section 14.2; ***provided, however***, that the failure to give such prompt written notice shall not relieve Indemnifying Party of its indemnification obligation under this Agreement except and only to the extent that the Indemnifying Party is actually prejudiced as a result of such failure. In no event shall the Indemnifying Party be liable for any Losses that result from any delay in providing such notice. Each Indemnification Claim Notice must contain a description of the Third Party Claim and the nature and amount of such Loss (to the extent that the nature and amount of such Loss are known at such time). The Indemnified Party shall furnish promptly to the Indemnifying Party copies of all papers and official documents received in respect of any Losses.

(b) **Control of Defense.** At its option, the Indemnifying Party may assume the defense of any Third Party Claim by giving written notice to the Indemnified Party within [***] calendar days after the Indemnifying Party's receipt of an Indemnification Claim Notice. Upon assuming the defense of a Third Party Claim, the Indemnifying Party may appoint as lead counsel in the defense of the Third Party Claim any legal counsel of its own choice. In the event the Indemnifying Party assumes the defense of a Third Party Claim, the

Indemnified Party shall immediately deliver to the Indemnifying Party all original notices and documents (including court papers) received by any Indemnitee in connection with the Third Party Claim. Should the Indemnifying Party assume the defense of a Third Party Claim, the Indemnifying Party shall not be liable to the Indemnified Party or any other Indemnitee for any legal expenses subsequently incurred by such Indemnified Party or other Indemnitee in connection with the analysis, defense or settlement of the Third Party Claim.

(c) **Right to Participate in Defense.** Without limiting Section 14.3(b) above, any Indemnitee shall be entitled to participate in, but not control, the defense of such Third Party Claim and to employ counsel of its choice for such purpose; ***provided, however,*** that such employment shall be [***] unless (i) the employment thereof has been specifically authorized by the Indemnifying Party in writing, or (ii) the Indemnifying Party has failed to assume the defense and employ counsel in accordance with Section 14.3(b) (in which case the Indemnified Party shall control the defense).

(d) **Settlement.** [***].

(e) **Cooperation.** The Indemnified Party will, and shall cause each other Indemnitee to, cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony, provide such witnesses and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested in connection with the defense or prosecution of any Third Party Claim. Such cooperation shall include access during normal business hours afforded to the Indemnifying Party to, and reasonable retention by the Indemnified Party of, records and information that are reasonably relevant to such Third Party Claim, and making Indemnitees and other employees and agents available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder, and the Indemnifying Party shall [***] the Indemnified Party for [***].

14.4 Expenses. [***].

14.5 Insurance. Each Party shall have and maintain such types and amounts of liability insurance, including by self-insurance, as is normal and customary in the industry generally for parties similarly situated, and shall upon request provide the other Party with a certificate of insurance in that regard, along with any amendments and revisions thereto.

15. LIMITATION OF LIABILITY

15.1 EXCLUSION OF INDIRECT DAMAGES. IN NO EVENT SHALL EITHER PARTY BE LIABLE UNDER THIS AGREEMENT FOR ANY SPECIAL, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, HOWEVER CAUSED, ON ANY THEORY OF LIABILITY AND WHETHER OR NOT SUCH DAMAGES WERE FORESEEABLE AND WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, ARISING UNDER ANY CAUSE OF ACTION AND ARISING IN ANY WAY OUT OF THIS AGREEMENT. THE FOREGOING LIMITATIONS SHALL NOT APPLY TO AN AWARD OF ENHANCED DAMAGES AVAILABLE UNDER 3 U.S.C. § 284 FOR WILFUL PATENT INFRINGEMENT. THIS LIMITATION OF LIABILITY DOES NOT APPLY IN CASES

CONFIDENTIAL

OF (I) WILFUL MISCONDUCT OR GROSS NEGLIGENCE, (II) DEATH OR PERSONAL INJURY CAUSED BY A PARTY'S OR ITS EMPLOYEES, AGENTS OR SUBCONTRACTORS NEGLIGENCE TO THE EXTENT SUCH EXCLUSION IS PROHIBITED BY APPLICABLE LAWS (III) BREACHES OF ARTICLE 16 (CONFIDENTIALITY), (IV) BREACHES OF ARTICLE 12 (NON-COMPETE), AND (V) A PARTY'S INDEMNIFICATION OBLIGATIONS UNDER SECTIONS 14.1(a), (c) OR (d) OR 14.2; FOR CLARITY, FOR THE INDEMNIFICATION OBLIGATION UNDER SECTION 14.1(b) THE LIMITATIONS AND CAPS SET OUT IN SUCH SECTION 14.1(b) SHALL APPLY IN PLACE OF THIS SECTION 15.

EXCLUSION OF LIABILITY [***]**.** EXCEPT FOR CASES OF WILLFUL MISCONDUCT OR SUCH CASES WHERE A LIMITATION OF LIABILITY IS NOT PERMITTED UNDER APPLICABLE LAW, SECTIONS 14.1(b), 14.1(c), 14.2(b), 11.15, OR 15.3 SHALL BE EACH PARTY'S (AND ITS AFFILIATES') SOLE AND EXCLUSIVE REMEDY, AND EACH PARTY HEREBY DISCLAIMS ANY OTHER LIABILITY, IRRESPECTIVE OF THE THEORY OF LIABILITY, WHETHER BREACH OF CONTRACT, TORT OR OTHERWISE, IN CONNECTION WITH [***].

16. CONFIDENTIALITY

16.1 Definition. During the Term and subject to the terms and conditions of this Agreement, a Party or its Affiliates (a "**Disclosing Party**") may communicate to the other Party or its Affiliates (a "**Receiving Party**") confidential information in connection with this Agreement or the performance of its obligations, or the use of its rights hereunder, including scientific and Manufacturing information and plans, strategies, marketing, sales and business plans, pricing and financials, personnel matters, present or future products, sales, suppliers, customers, employees, investors or businesses (collectively, "**Confidential Information**"). Without limiting the foregoing, "Confidential Information" is hereby deemed to include any information exchanged between the Parties pursuant to that certain Confidential Disclosure Agreement between the Parties dated as of [***] ("**CDA**"), as amended on [***] ("**CDA Amendment**"), which shall both be superseded by this Article 16, except (a) with respect to the non-solicitation provisions under Section 4 of the CDA Amendment and (b) with respect to the standstill provisions under Section 5 of the CDA Amendment; which shall all remain effective for the purposes of this Agreement.

16.2 Exclusions. Notwithstanding the foregoing, information of a Disclosing Party shall not be deemed Confidential Information with respect to a Receiving Party for purposes of this Agreement if such information:

(a) was already known to the Receiving Party, as evidenced by their written records, other than under an obligation of confidentiality or non-use, at the time of disclosure to the Receiving Party or its Affiliates;

(b) was generally available or was otherwise part of the public domain at the time of its disclosure to the Receiving Party;

(c) became generally available or otherwise became part of the public domain after its disclosure to the Receiving Party, through no fault of or breach of its obligations under this Article 16 by the Receiving Party;

(d) was disclosed to the Receiving Party, other than under an obligation of confidentiality or non-use, by a Third Party who had no obligation to the Party that controls such information and know-how not to disclose such information or know-how to others; or

CONFIDENTIAL

(e) was independently discovered or developed by the Receiving Party or its Affiliates, as evidenced by their written records, without the use of, and by personnel who had no access to, Confidential Information belonging to the Party that controls such information and know-how.

16.3 Disclosure and Use Restriction. Except as expressly provided herein, the Parties agree that, during the Term and for [***] years thereafter, a Receiving Party shall keep completely confidential and shall not publish or otherwise disclose and shall not use for any purpose except for the purposes contemplated by this Agreement any Confidential Information of a Disclosing Party. In particular, a Party shall not use any Confidential Information disclosed in any governance committee hereunder for its other products, strategies, and for that purpose, COMPANY and MorphoSys shall ensure that the persons having access to MorphoSys Know-How, COMPANY Know-How, Development Data, Regulatory Materials, Pricing Materials and other Product-related information (e.g. governance committees members) shall not use Confidential Information of the other Party for any product (including any Competing Product) of the respective Party.

16.4 Authorized Disclosure. A Receiving Party may disclose Confidential Information of a Disclosing Party to the extent that such disclosure is:

(a) made in response to a valid order of a court of competent jurisdiction or other governmental or regulatory body of competent jurisdiction; ***provided, however,*** that such Receiving Party shall first have given notice to the Disclosing Party and given the Disclosing Party reasonable opportunity to quash such order and to obtain a protective order requiring that the Confidential Information and documents that are the subject of such order be held in confidence by such court or governmental or regulatory body or, if disclosed, be used only for the purposes for which the order was issued; and ***further provided*** that if a disclosure order is not quashed or a protective order is not obtained, the Confidential Information disclosed in response to such court or governmental order shall be limited to that information which is legally required to be disclosed in response to such court or governmental order;

(b) otherwise required by Law; ***provided, however,*** subject to Section 16.6, that the Disclosing Party shall provide the Receiving Party with notice of such disclosure in advance thereof to the extent practicable;

(c) made by such Party to regulatory authorities as required in connection with any regulatory filing or application; ***provided. however,*** that reasonable measures shall be taken to assure confidential treatment of such information;

(d) made by a Receiving Party, in connection with the performance of this Agreement, to directors, officers, employees, legal and financial advisors, consultants, representatives or agents who have a need to know such information, each of whom prior to disclosure must be bound by obligations of confidentiality and non-use at least similar in scope to those set forth in this Article 14;

(e) made by a Receiving Party on a need-to-know-basis to (i) existing or potential acquirers or merger candidates; (ii) existing or potential Sublicensees or existing or potential contractors (to the extent contemplated hereunder); (iii) investment bankers;

CONFIDENTIAL

(iv) existing or potential investors, venture capital firms or other financial institutions or investors for purposes of obtaining financing; or to Affiliates or Sublicensees, each of whom prior to disclosure must be bound by obligations of confidentiality and non-use equivalent in scope to those set forth in this Article 16 or in accordance with applicable industry standards but for no less than five (5) years from disclosure;

(f) made by the Receiving Party with the prior written consent of the Disclosing Party.

16.5 Use of Name. Neither Party may make public use of the other Party's name except **(i)** in connection with announcements and other disclosures relating to this Agreement and the activities contemplated hereby as permitted in Section 16.6, **(ii)** as required by applicable Laws, **(iii)** as expressly permitted under this Agreement, and **(iv)** otherwise as agreed in writing by such other Party.

16.6 Press Releases and Publications.

(a) Public Disclosures. The Parties have mutually agreed on a press release announcing the execution of this Agreement, which is attached hereto as **EXHIBIT 10**. Subject to Section 16.7, for subsequent press releases and other written public disclosures relating to this Agreement or the Parties' relationship hereunder (each, a "**Public Disclosure**"), each Party shall submit to the other Party a draft of such Public Disclosures for review and comment by the other Party at least [***] full Business Days prior to the date on which such Party plans to release such Public Disclosure. In addition, and subject to the requirements of applicable securities and other Laws governing such disclosures, (i) COMPANY shall include the statement as set forth in **EXHIBIT 18** in the section containing background information on the Product of each of COMPANY's Public Disclosures and each public announcements referencing the Licensed Antibody and/or Product(s), and (ii) each Party shall use good faith efforts to notify the other Party in advance of any significant public announcement regarding Licensed Antibody's and/or Products' performance and achievements under this Agreement. In case of any disclosure after the Execution Date that is required by Laws as reasonably advised by the Disclosing Party's counsel, such Party will provide the other Party with prompt notice of the required disclosure, such other Party shall not be entitled to withhold consent, but the Parties shall work together in good faith to find a mutually acceptable manner in which to make the disclosure.

(b) Ad hoc Requirements. If a Party is unable to comply with the foregoing [***]-Business Day notice requirement because of a legal obligation or stock exchange requirement to make more rapid disclosure, such Party shall not be in breach of this Agreement but shall in that case give telephone and email notice to a senior executive of the other Party and provide a draft disclosure with as much notice as possible prior to the release of such Public Disclosure. The Parties however acknowledge that for so-called "ad hoc" announcements required under the German Securities Act, no prior notice may be possible.

(c) Public Domain. A Party may publicly disclose, without regard to the preceding requirements of this Section 16.6, information that was previously disclosed in a Public Disclosure that was in compliance with such requirements.

CONFIDENTIAL

(d) Milestone Reporting. Both Parties agree that as part of their corporate communications policy and standard practice, MorphoSys and/or COMPANY may announce the achievement of payment-bearing milestones under this Agreement and the related due amounts, and each Party shall be permitted to do so in accordance with applicable reporting standards.

(e) Development Results. Each Party (and/or its Affiliates or Sublicensees) under this Agreement may wish to publish the results of research and development under this Agreement. In order to safeguard intellectual property rights, the Party (or Affiliate or Sublicensee) wishing to publish or otherwise publicly disclose the results of such research and development shall first submit a draft of each proposed manuscript or presentation or poster to the other Party for review, comment and consideration of appropriate patent action at least [***] weeks prior to any submission for publication or other public disclosure. Within [***] Business Days of receipt of the pre-publication materials, such other Party shall advise the Party seeking publication as to whether a patent application shall be prepared and filed or whether trade secret protection should be pursued and, if so, such other Party shall determine the appropriate timing and content of any such publications. Approval of a publication shall not be unreasonably withheld, conditioned or delayed.

16.7 Terms of Agreement. The Parties agree that the terms of this Agreement are confidential and shall not be disclosed by either Party to any Third Party (except to a Party's professional advisor and as permitted for Confidential Information under Sections 16.4 and 16.6) without prior written permission of the other Party; ***provided, however***, that **(i)** either Party may make any filings of this Agreement required by Law or regulation in any country as set forth in Section 16.8; and **(ii)** that MorphoSys and COMPANY may disclose, without the other Party's prior written permission, to prospective investors that are under confidentiality obligations no less stringent than those hereunder the individual milestone amounts, royalty rate and royalty tiers payable under this Agreement; and ***further provided*** that a Party may publicly disclose information that was previously disclosed in compliance with Section 16.7 and 16.8.

16.8 SEC Filings. The Parties acknowledge that they may be obligated to make a filing (including to file a copy of this Agreement) with the United States Securities and Exchange Commission ("**SEC**") or other Governmental Authorities. Each Party shall be entitled to make such a required filing, provided that it shall (i) submit in connection with such filing a redacted copy of this Agreement in the form to be agreed between the Parties within [***] calendar days of the Execution Date (the "**Redacted Agreement**"), (ii) request, and use Commercially Reasonable Efforts consistent with applicable Laws to obtain, confidential treatment of all terms redacted from this Agreement, as reflected in the Redacted Agreement, for a period of at least [***] years, (iii) promptly deliver to each other Party any written correspondence received by it or its representatives from such Governmental Authority with respect to such confidential treatment request and promptly advise each other Party of any other material communications between it or its representatives with such Governmental Authority with respect to such confidential treatment request, (iv) upon the written request of any other Party, if legally justifiable, request an appropriate extension of the term of the confidential treatment period, and (v) if such Governmental Authority requests any changes to the redactions set forth in the Redacted Agreement, use Commercially Reasonable Efforts consistent with applicable Laws to support the redactions in the Redacted Agreement as originally filed and not agree to any changes to the Redacted Agreement without, to the extent practical, first

CONFIDENTIAL

discussing such changes with each other Party and taking each other Party's comments into consideration when deciding whether to agree to such changes. Each Party shall be responsible for its own legal and other external costs in connection with any such filing, registration or notification.

17. TERM AND TERMINATION

17.1 Term and Expiration.

(a) Term. The term of this Agreement shall commence as of the Execution Date and, unless earlier terminated in accordance with this Article 17 or under Section 18.21(c), shall expire upon the payment of the last applicable payment under this Agreement (the "**Term**").

(b) Expiration. Upon expiration of the Term, COMPANY shall retain the licenses granted in Section 2.1 as non-exclusive, irrevocable, perpetual, fully paid-up licenses and MorphoSys shall retain the licenses under Section 2.4 as irrevocable, perpetual, fully-paid-up licenses.

(c) No relief from Existing Obligations. Expiration or termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such expiration or termination (including payment obligations).

17.2 Termination for Material Breach, Insolvency and Patent Challenge.

(a) Termination for Breach. Any material failure by a Party ("**Breaching Party**") to comply with any of its material obligations contained in this Agreement (such failure a "**Material Breach**") shall entitle the other Party ("**Non-Breaching Party**") to give to the Breaching Party written notice specifying the nature of the Material Breach, requiring the Breaching Party to make good or otherwise cure such Material Breach. If such Material Breach is not cured within [***] calendar days after the receipt of notice pursuant to this Section (except for a Material Breach consisting of non-payment, in which case the cure period shall be [***] calendar days) (the "**Cure Period**"), the Non-Breaching Party shall be entitled to terminate with immediate effect (unless such Material Breach (excluding any payment breach), by its nature, cannot reasonably be cured within the Cure Period, and the Breaching Party has (i) notified the Non-Breaching Party of its plan for curing such Material Breach, (ii) commenced and sustained the required efforts to cure such Material Breach during the Cure Period, and (iii) ultimately does cure such Material Breach within [***] calendar days after the end of the Cure Period, or such longer period as may be agreed upon between the Parties) by providing a written notice pursuant to this Section 17.2 ("**Termination Notice**") to the Breaching Party and without prejudice to any of its other rights conferred on it by this Agreement and other remedies available under applicable Laws.

(b) Termination for Insolvency. A Party shall be entitled to terminate with immediate effect by providing a Termination Notice to the other Party and without prejudice to any of its other rights conferred on it by this Agreement and other remedies available under applicable Laws in case **(i)** of a Material Breach due to lack of financial resources of the other Party, **(ii)** filing for or institution of bankruptcy, reorganization, liquidation or receivership proceeding, or **(iii)** upon an assignment of a substantial

CONFIDENTIAL

portion of the assets for the benefit of the other Party's creditors; ***provided, however***, that such termination (with immediate effect) shall remain effective only if such proceeding is not dismissed within [***] calendar days after the filing thereof.

17.3 Termination on Patent Challenge. In case of a Patent Challenge, in addition to any other remedies that MorphoSys may have, including those remedies set forth in Section 11.20, MorphoSys shall be entitled to terminate this Agreement with immediate effect by providing a Termination Notice to COMPANY. COMPANY shall include in all Sublicense Agreements provisions as set forth in Section 11.20 that COMPANY is permitted to terminate such Sublicense Agreement. If a Sublicensee directly, or indirectly through assistance granted to a Third Party, undertakes a Patent Challenge of any such Patent, then COMPANY upon receipt of notice from MorphoSys of such Patent Challenge shall immediately terminate the applicable Sublicense Agreement. If COMPANY fails to so terminate such Sublicense Agreement, MorphoSys may terminate this Agreement. Notwithstanding the above, COMPANY shall include provisions in all Sublicense Agreements that in case of a Patent Challenge by a Sublicensee allow for a termination of such Sublicense Agreement by COMPANY.

17.4 Termination of Entire Agreement or Country-by-Country Basis. The Parties can exercise their respective termination rights as stipulated in Section 17.2 either with regard to the Agreement in its entirety or on a country-by-country basis, as the case may be, at their sole discretion. In the event of any termination on a country by country basis, Section 17.7 or 17.8 shall only apply to the countries which have been terminated.

17.5 No Final Say after Notice of Termination. COMPANY shall no longer have the right to exercise its final say on the JSC pursuant to Section 9.2 (e) for any purpose other than with respect to ongoing regulatory obligations, including to amend the Development Plan, after MorphoSys has filed a Termination Notice, and all decisions of matters where COMPANY had final decision making authority pursuant to Section 9.2(e) shall thereafter be taken by mutual agreement of the Parties.

17.6 Termination for Convenience. After the [***] anniversary of the Effective Date, COMPANY shall have the right for convenience to file a [***] prior written notice of termination of this Agreement to MorphoSys (such period, the "**Notice Period**"). During the Notice Period, COMPANY shall continue to fund Development Activities as provided under this Agreement. If any Trial(s) or other Development Activities with Licensed Antibody or Product will still be on-going at the end of the Notice Period, then MorphoSys shall notify COMPANY in writing at least [***] calendar days after delivery of the applicable termination notice, which of the following MorphoSys elects, on a Development Activity-by-Development Activity basis, and COMPANY shall (and ensure that its Affiliates or Sublicensees) comply with and carry out MorphoSys' election: **(i)** COMPANY shall (and ensure that its Affiliates or Sublicensees) continue such on-going Trial(s) or Development Activities at MorphoSys' costs, or **(ii)** transfer sponsorship (if applicable) of such on-going Trial(s) or Development Activities to MorphoSys, or if so requested by MorphoSys, to Xencor on a reasonable timeline (such transfer to take place no later than the expiration of the Notice Period, to the extent practically possible) and [***] for such transfer and perform as stipulated in Section 17.8(k)(i); or **(iii)** COMPANY shall (and ensure that its Affiliates or Sublicensees) wind down or assist in the wind down the Trial(s) or Development Activities and shall be [***] associated with such wind-down, and shall continue to comply with all remaining obligations and commitments made to Regulatory Authorities by COMPANY and by Affiliates or Sublicensees (including if applicable, patient registries), to the extent the compliance with such obligations and commitments is required by

CONFIDENTIAL

applicable Laws, at [***]. For clarity and unless requested otherwise by MorphoSys, during the Notice Period COMPANY shall continue performing Commercialization activities in the COMPANY Territory and Co-Commercialization activities in the Co-Commercialization Territory in accordance with the terms of this Agreement, including the Co-Commercialization Plan.

In addition, COMPANY shall [***]. If, prior to COMPANY's exercise of its right to terminate this Agreement under this Section 17.6, COMPANY has achieved [***] with respect to **(y)** any Product in [***], based on a [***], then MorphoSys shall pay COMPANY a [***] percent ([***]%) royalty on Net Sales of such Product sold by MorphoSys in the COMPANY Territory following the Notice Period during the Royalty Term or **(z)** any Product in the Co-Commercialization Territory, based on [***], then MorphoSys shall pay COMPANY [***] percent ([***]%) royalty on Net Sales of such Product sold by MorphoSys in the Co-Commercialization Territory following the Notice Period during the Royalty Term. The provisions of Section 8.4 and 8.5 shall survive any termination of this Agreement pursuant to this Section 17.6.

17.7 Consequences upon COMPANY's Termination Notice.

(a) Upon Termination Notice by COMPANY under 17.2(a) (Material Breach by MorphoSys) or 17.2(b) (Insolvency of MorphoSys) the effects of termination shall apply as stipulated in this Section 17.7, without prejudice to any of its other rights conferred on COMPANY by this Agreement and other remedies available under applicable Laws, except that the continuation of contribution by COMPANY under Section 17.7 (h) shall in this case be limited to [***] calendar days.

(b) Further, if COMPANY submits to MorphoSys a Termination Notice:

(i) provided that either Party has received [***] for a Product in country(ies) within the **(y)** COMPANY Territory based on [***], MorphoSys shall pay, as consideration for the assignments and transfers, and licenses or contributions as stipulated in this Section 17.7, to COMPANY royalties on Net Sales of such Product in such country(ies) within the COMPANY Territory at the rate of [***] percent ([***]%) or **(z)** Co-Commercialization Territory based on [***], MorphoSys shall pay, as consideration for the assignments and transfers, and licenses or contributions as stipulated in this Section 17.7, to COMPANY royalties on Net Sales of such Product in the Co-Commercialization Territory at the rate of [***] percent ([***]%); Section 8.3 (b) – (f) shall apply accordingly. For clarity, MorphoSys shall not be obligated to **(a)** pay any royalties to COMPANY in the COMPANY Territory in case of a termination before COMPANY has received [***] in any country of the COMPANY Territory based on [***] or **(b)** pay any royalties to COMPANY in the Co-Commercialization Territory in case of a termination before MorphoSys has received [***] in the Co-Commercialization Territory based on [***], and this clause shall not be deemed to limit any other right or remedy of the COMPANY under this Agreement in the event of a termination of this Agreement by the COMPANY; and

(ii) COMPANY shall be entitled during a period of [***] calendar days following the effective date of termination of this Agreement to sell in

CONFIDENTIAL

the COMPANY Territory any inventory of Products that remains on hand as of the effective date of the termination. COMPANY shall pay MorphoSys the royalties applicable to such sales in accordance with the terms and conditions of this Agreement. At any time within [***] calendar days after the effective date of termination with respect to any country(ies) in the COMPANY Territory, MorphoSys shall have the right, upon written notification to COMPANY, to purchase from COMPANY [***] any or all of the inventory of Products held by COMPANY as of the date of such notification.

(c) Each of COMPANY's Third Party Sublicensees with respect to any affected Products in any affected country at such time shall continue to have the rights and license set forth in their Sublicense Agreements, subject to the continued performance of their obligations thereunder; ***provided, however***, that such Third Party Sublicensee agrees in writing that the Sublicense Agreements be transferred from COMPANY to MorphoSys so that MorphoSys is entitled to enforce all relevant terms and conditions of such Sublicense Agreement directly against such Third Party Sublicensee, except that MorphoSys shall not be bound to perform any duties or obligations set forth in any Sublicense Agreements that extend beyond the duties and obligations of MorphoSys set forth in this Agreement; and further provided that such Third Party Sublicensee is not then in breach of its Sublicense Agreement.

17.8 MorphoSys' Rights upon MorphoSys' Termination Notice and Effects of MorphoSys' Termination. Upon a Termination Notice by MorphoSys under Section 17.2(a) (Material Breach by COMPANY), Section 17.2(b) (Insolvency of COMPANY), or Section 17.2(c) (Patent Challenge) or Section 17.6 (Termination for Convenience), COMPANY shall, subject to Section 17.4 or, if applicable, Section 17.6, transfer to MorphoSys the full MOR208 program, including the following:

(a) License Termination. The licenses granted by MorphoSys to COMPANY under Article 2 shall terminate and COMPANY, its Affiliates and Sublicensees, and all Third Parties working on behalf of any of the foregoing, shall immediately stop using all Xencor Know-How, MorphoSys Know-How, Licensed Antibodies and Products, and stop all activities covered by the Patents licensed to COMPANY under Section 2.1 and COMPANY shall transfer prosecution, maintenance and enforcement of such Patents to MorphoSys.

(b) Termination of Co-Commercialization. The Co-Commercialization in the Co-Commercialization Territory and the Pre-Tax Profit (Loss) Share shall terminate. For clarity, MorphoSys may continue Commercialization in the Territory at its convenience and COMPANY shall cooperate to transfer all Commercialization activities ongoing by or on behalf of COMPANY, its Affiliates and Sublicensees to MorphoSys.

(c) Return of Licensed Know-How; Transfer of Know-how. Within [***] calendar days following such termination, COMPANY shall (and ensure that its Affiliates or Sublicensees) return to MorphoSys all then still existing Xencor Know-How, and MorphoSys Know-How received from MorphoSys as well as any Joint Development Data. COMPANY shall (and ensure that its Affiliates or Sublicensees) upon MorphoSys' request (at no cost to MorphoSys) transfer to MorphoSys or its designee any COMPANY Know-How; such transfer shall be effected by the delivery of documents, to the extent such COMPANY Know-How is embodied in documents, and

CONFIDENTIAL

to the extent that such Know-How is not fully embodied in documents, COMPANY shall (and ensure that its Affiliates or Sublicensees) make its employees and agents who have knowledge of such Know-How in addition to that embodied in documents available to MorphoSys for interviews and demonstrations to effect such transfer. Further, MorphoSys shall have the right to use COMPANY Funded Development Data the same way MorphoSys may use Joint Development Data under this Agreement, subject to the payment of a buy-in fee equivalent to [***].

(d) Survival and Extension of Granted License. The licenses granted to MorphoSys pursuant to Section 2.4 shall survive and become perpetual, irrevocable, royalty-free, and fully paid; ***provided, however***, that all such licenses shall, from the effect of the applicable termination notice, also grant MorphoSys the right to research, have researched, develop, have developed, make, have made, use, have used, sell, have sold, offer for sale, have offered for sale, import, have imported, export and have exported the Licensed Antibody and/or the Product(s) (i) inside the Field inside the Territory and (ii) in all other fields. COMPANY shall (and ensure that its Affiliates or Sublicensees) transfer prosecution, maintenance and enforcement of Patents licensed under Section 2.4 to MorphoSys. If COMPANY (or any Affiliate or Sublicensee) needs to make any payments specifically related to Licensed Antibody(ies) or Products to any Third Party for such Know-How of COMPANY or such technology claimed in a Patent Controlled by COMPANY, before COMPANY grants to MorphoSys such license, COMPANY shall first provide MorphoSys in writing with information about such payments, and MorphoSys shall request such license grant, and upon such request, MorphoSys shall commit to reimburse COMPANY (or Affiliate or Sublicensee) for such payments.

(e) Contract Transfer and/or Assignment. To the extent requested by MorphoSys in writing within [***] calendar days following the applicable termination notice, COMPANY shall (and ensure that its Affiliates or Sublicensees) transfer and/or assign to MorphoSys or, if so requested by MorphoSys, to Xencor all or specific licenses, manufacturing agreements and other contracts specific to Licensed Antibody and Products (including clinical trial, Manufacturing agreements, sublicensing and Distribution agreements with respect thereto), to the extent such licenses and other contracts are in effect as of the date of such termination and such transfer and/or assignment is permitted under the contract. COMPANY shall (and ensure that its Affiliates or Sublicensees) provide copies for review, but only to the extent permitted under such contracts, to enable MorphoSys and/or Xencor to make such decision within [***] calendar days after the applicable termination notice. To the extent that any such agreement or contract is not assignable by COMPANY (or Affiliate or Sublicensee), upon the request of MorphoSys, COMPANY shall (and ensure that its Affiliates or Sublicensees) cooperate in good faith and use diligent efforts to allow MorphoSys or any Affiliate or Third Party designated by MorphoSys to obtain and to enjoy the benefits of such agreement in the form of a license or other right to the extent COMPANY (or Affiliate or Sublicensee) has the right and ability to do so.

(f) Trademarks, Copyrights, other IP. To the extent requested by MorphoSys in writing within [***] calendar days following the applicable termination notice, to the extent permitted by applicable Laws, COMPANY shall (and ensure that its Affiliates or Sublicensees) transfer or otherwise exclusively license any intellectual property rights to MorphoSys or, if so requested by MorphoSys, to Xencor to (i) all Product Marks

CONFIDENTIAL

controlled by COMPANY (or Affiliate or Sublicensee) used in connection with the Commercialization of Licensed Antibody and/or Products in the Territory, (ii) to its part of the ownership in Global Product Marks and (iii) to its rights (including copyrights), title or interest in the promotional materials, package inserts and marketing materials, including marketing plans, for the Product used in the Territory, all (i), (ii) and (iii) including any goodwill associated therewith, and any registrations, applications and any internet domain name registrations and slogans, all to the extent related to the Product.

(g) Regulatory and Data Transfer. To the extent requested by MorphoSys in writing within [***] calendar days following the applicable termination notice and to the full extent permitted by Laws, COMPANY shall (and ensure that its Affiliates or Sublicensees) take all actions reasonably necessary to transfer to MorphoSys, or if so requested by MorphoSys, to Xencor, all Development Data (including all raw clinical data, SAS datasets, trial master files, Regulatory Data and regulatory correspondence and minutes of meetings with Governmental Authorities), Commercialisation data, including market research data, INDs, MAAs, Marketing Authorizations, Pricing Approvals and other regulatory filings related to Licensed Antibody or Product that COMPANY or its Affiliates or Sublicensees holds as of the time of such termination, and any other documentation or data needed in accordance with International Conference of Harmonization E6 Good Clinical Practice: Consolidated Guidance), in each case of the foregoing to the extent reasonably required to support continued clinical and other Development and Commercialization. COMPANY shall (or ensure that its Affiliates or Sublicensees) appoint MorphoSys or a designated Third Party as COMPANY's agent for all Product-related matters involving regulatory authorities until all Marketing Authorizations and other regulatory filings and approvals have been transferred to MorphoSys or its designee, it being agreed that both Parties shall use reasonable and diligent efforts to have this transfer occur as rapidly as feasible. If the effective date of termination is after First Commercial Sale of a Product, then COMPANY (or ensure that its Affiliates or Sublicensees) shall appoint MorphoSys or a designated Third Party as its exclusive distributor of such Product and grant MorphoSys the right to appoint sub-distributors, until such time as all Marketing Authorizations have been transferred to MorphoSys or its designee it being agreed that both Parties shall use reasonable and diligent efforts to have this transfer occur as rapidly as feasible.

(h) Continuation of COMPANY Ongoing Trials. If any Trial(s) with Licensed Antibody or Product are on-going at the time of termination, then MorphoSys shall notify COMPANY in writing within [***] calendar days after the applicable termination notice, which of the following MorphoSys elects and COMPANY shall (and ensure that its Affiliates or Sublicensees) comply with and carry out MorphoSys' election:

(i) COMPANY shall (and ensure that its Affiliates or Sublicensees) continue such on-going Trial(s) and/or transfer sponsorship (if applicable) of such on-going Trial(s) to MorphoSys, or if so requested by MorphoSys, to Xencor on a reasonable timeline and shall bear the costs as stipulated in Section 17.8(i); or

(ii) COMPANY shall (and ensure that its Affiliates or Sublicensees) wind down the Trial and shall be fully and solely responsible for [***], and shall continue to comply with all remaining obligations and

CONFIDENTIAL

commitments made to Regulatory Authorities by COMPANY and by Affiliates or Sublicensees (including if applicable, patient registries), to the extent the compliance with such obligations and commitments is required by applicable Laws, [***].

(i) Continuation of Contribution. If this Agreement is terminated by MorphoSys in accordance with Section 17.2(a) (Material Breach by COMPANY), Section 17.2(b) (Insolvency of COMPANY), or Section 17.2(c) (Patent Challenge), and subject to the applicable termination notice, COMPANY shall continue to be responsible [***] until the earlier of **(i)** MorphoSys has concluded an agreement with a Third Party subject to which such Third Party receives a license or licenses to **(A)** Develop and Commercialize the Product in the COMPANY Territory and Co-Commercialization Territory in the Field or **(B)** to Commercialize the Product in the COMPANY Territory and Co-Commercialization Territory in the Field or **(ii)** [***] months after the applicable termination notice. If, within [***] months after the applicable termination notice, MorphoSys has entered into an agreement with a Third Party subject to which such Third Party receives a license to Develop and/or Commercialize the Product in the Field in the COMPANY Territory and Co-Commercialization Territory, under which good faith and arm's length agreement such Third Party is obligated to pay to MorphoSys upfront fees and near-term [***] milestone payments, with such payments being in the aggregate at least [***] times the amount of Joint Development Costs paid by COMPANY to MorphoSys under this Agreement, then, promptly following receipt by MorphoSys of at least such aggregate payments from such Third Party, MorphoSys will [***] of the amount of Joint Development Costs paid by COMPANY under this Section 17.8(i). Except as stipulated in this Section (i), MorphoSys shall not be obligated [***].

(j) No Further Representations. COMPANY shall (and ensure that its Affiliates and Sublicensees) discontinue making any representation regarding its status as a licensee of MorphoSys for Licensed Antibody and Product and shall cease conducting all activities with respect to the Commercializing and Co-Commercializing all of the foregoing.

(k) Transition Assistance.

(i) To the extent reasonably permissible under the circumstances at the time, and to the extent requested by MorphoSys in writing [***] calendar days following the applicable termination notice, COMPANY shall (and ensure that its Affiliates and Sublicensees) provide such assistance as may be reasonably necessary to transfer and/or transition over a reasonable period of time to MorphoSys, or if so requested by MorphoSys, to Xencor any rights, items and contracts specified under 17.8(b), (d), (e), (f) and (g), including COMPANY Know-How, Product Marks, Global Product Marks, Development Data, Regulatory Data, Regulatory Materials, and Regulatory Approvals, (including contracts with contract research organisations, contract Manufacturing organisations and distributors) specific to Licensed Antibody or the Products with respect thereto, and provided that MorphoSys agrees to assume financial responsibility and all other obligations towards Third Parties under any licenses or contracts (other than the case where COMPANY has failed to obtain royalty-free rights under those certain Xencor Patents licensed to MorphoSys under Section 2.4(b)).

CONFIDENTIAL

(ii) In addition, to the extent that COMPANY or a COMPANY Affiliate is then manufacturing itself (respectively) Products and upon MorphoSys' request in writing within [***] calendar days after the applicable termination notice, COMPANY shall use Commercially Reasonable Efforts to (or ensure that its Affiliate) continue to manufacture Products for MorphoSys' or Xencor's use until the earlier of (i) [***] years and if reasonably required by MorphoSys to fully accomplish the technology transfer without supply interruption then [***] (for a total in that case of [***]) after the effective date of termination, and (ii) such time as MorphoSys has validated an alternative manufacturer (including [***]), and quantities of Product supplied by such manufacturer may legally be sold. Any such Product shall be supplied to MorphoSys and MorphoSys shall [***] COMPANY at COMPANY's (or its Affiliate's) [***], determined in accordance with GAAP.

(l) Remaining Inventories. MorphoSys shall have the right to purchase from COMPANY (or its Affiliate) all of the inventory of Products held by COMPANY (or its Affiliate) as of the effective date of termination at [***], determined in accordance with GAAP.

(m) Affiliates. COMPANY shall ensure that its Affiliates comply with Section 17.8 as if they were COMPANY.

17.9 Survival. Notwithstanding anything to the contrary contained herein, the following provisions shall survive any expiration or termination of this Agreement: Articles 1, 7 (with respect to wind down of activities and obligations thereunder), 10, 14, 15, 16, 17, 18 (other than Section 18.21), Sections: 2.7, 2.8, 3.12, 8.3(f), 8.3(g), 8.5, 8.6, 8.7, 8.9, 8.10, 11.4, 11.15, 13.5, and any other Section or clause, which by its nature should survive. Except as set forth in this Section 17.9 or otherwise expressly set forth herein, upon termination or expiration of this Agreement all other rights and obligations shall cease.

18. MISCELLANEOUS

18.1 Assignment. MorphoSys interests in this Agreement shall be assignable to Xencor in case of termination of the Xencor Agreement. Without limiting the foregoing, neither this Agreement nor any right or obligation hereunder may be assigned or otherwise transferred by a Party to any Third Party without the prior written consent of the other Party; ***provided, however***, that each Party may, without such consent, assign this Agreement in its entirety **(i)** to such Party's Affiliate (for so long as the relationship of affiliation endures) or **(ii)**, subject to Section 12.3, if such Party merges with, or all or substantially all of its business or assets are acquired by another entity (whether by merger, sale of assets, sale of stock or otherwise), to the Party's merger partner or the Acquirer as part of such acquisition (each of (i) and (ii), an "**M&A Event**"). Each Party agrees that, notwithstanding any provisions of this Agreement to the contrary, if this Agreement is assigned by a Party in connection with an M&A Event, such assignment shall not provide the non-assigning Party with rights or access to intellectual

property or technology of the merger partner or acquirer of the assigning Party existing prior to such M&A Event. Any permitted assignment shall be binding on the successors of the assigning Party. In addition, notwithstanding anything express or implied in this Agreement, if MorphoSys and/or COMPANY becomes part of the corporate family of a larger pharmaceutical or biopharmaceutical company, then under no circumstances shall any entities in that family other than MorphoSys and/or COMPANY and its respective Affiliates prior to joining the corporate family, be deemed to be "Affiliates" of MorphoSys or COMPANY for purposes of the intellectual property definitions in this Agreement. Other than an assignment under the first sentence of this Section 18.1, any assignment or attempted assignment by either Party in violation of the terms of this Section shall be null and void.

18.2 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future Laws, and if the rights or obligations of either Party under this Agreement shall not be materially and adversely affected thereby, (i) such provision shall be fully severable, (ii) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (iii) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance here from, and (iv) in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and reasonably acceptable to the Parties herein.

18.3 Governing Law, Dispute Resolution.

(a) Governing Law, Jurisdiction. This Agreement, and any disputes between the Parties related to or arising out of this Agreement (including the Parties' relationship created hereby, the negotiations for and entry into this Agreement, its conclusion, binding effect, amendment, coverage, termination, or the performance or alleged non-performance of a Party of its obligations under this Agreement) (each a "**Dispute**"), shall be governed by the Laws of [***], without regard to any choice of law principle that would require the application of the Law of another jurisdiction. The United Nations Convention on Contracts for International Sales of Goods (CISG) shall not apply to this Agreement. Notwithstanding the foregoing, the obligations under Section [***] shall be interpreted under [***] law except as otherwise specified in such Section.

(b) Dispute Resolution. The Parties recognize that disputes as to certain matters may from time to time arise which relate to either Party's rights and/or obligations hereunder. It is the intent and objective of the Parties to establish procedures to facilitate the resolution of such disputes in an expedient manner by mutual cooperation and without resort to litigation. Accordingly, subject to the specific resolution process set forth under Sections 9.2(e) and 9.3 for certain controversies, any Dispute, including any such Dispute involving Affiliates of any Party shall be resolved as set forth in **EXHIBIT 11**.

(c) Injunctive Relief. Notwithstanding the foregoing, nothing in this Section shall limit either Party's right to seek immediate temporary injunctive or other temporary equitable relief whenever the facts or circumstances would permit a Party to seek such relief in a court of competent jurisdiction.

CONFIDENTIAL

18.4 Notices. All notices or other communications that are required or permitted hereunder shall be in writing and delivered personally, sent by facsimile (and promptly confirmed by personal delivery or overnight courier as provided herein), or sent by internationally-recognized overnight courier addressed as follows:

If to MorphoSys, to:

MorphoSys AG
Semmelweisstrasse 7
82152 Planegg
Germany
Attention: CEO
Facsimile: +49 89 899 27 5310

If to COMPANY, to:

Incyte Corporation
1801 Augustine Cut-Off
Wilmington, DE 19803
USA
Attention: CEO
With a copy to: General Counsel

or to such other address as the Party to whom notice is to be given may have furnished to the other Party in writing in accordance herewith. Any such communication shall be deemed to have been given when delivered. It is understood and agreed that this Section is not intended to govern the day-to-day business communications necessary between the Parties in performing their duties, in due course, under the terms of this Agreement.

18.5 Entire Agreement, Modifications. This Agreement, including the Exhibits attached hereto, each of which is hereby incorporated and made part of in this Agreement by reference, sets forth and constitutes the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersedes all prior agreements, understanding, promises and representations, whether written or oral, with respect thereto, ***provided, however***, that the Confidential Disclosure Agreement between the Parties dated as of [***], shall remain partially in effect as set forth in Section 16.1. Each Party confirms that it is not relying on any representations or warranties of the other Party except as specifically set forth herein. No amendment or modification of this Agreement shall be binding upon the Parties unless in writing and duly executed by authorized representatives of both Parties.

18.6 Force Majeure. Neither Party shall be liable for failure of or delay in performing obligations set forth in this Agreement, and neither shall be deemed in breach of its obligations, if such failure or delay is due to natural disasters or any causes beyond the reasonable control of such Party. In event of such force majeure, the Party affected thereby shall use reasonable efforts to cure or overcome the same and resume performance of its obligations hereunder.

18.7 Relationship of MorphoSys AG and MorphoSys Inc. With regard to the performance of this Agreement the following shall apply:

(a) MorphoSys Obligations. In case this Agreement imposes an obligation on “MorphoSys” (for clarity, as being defined as MorphoSys AG and MorphoSys Inc.), the

CONFIDENTIAL

respective MorphoSys Party which, at the sole discretion of MorphoSys, in the internal relationship between these MorphoSys Parties is responsible for this obligation, shall be obligated to fulfil such obligation; **provided, however**, that MorphoSys Inc. may only perform obligations under this Agreement so long as it remains a subsidiary of MorphoSys AG. In case neither of MorphoSys AG or MorphoSys Inc. performs the respective obligation, COMPANY shall be entitled to enforce such right towards both MorphoSys Parties for performance of the respective obligation; however, COMPANY's rights and remedies for enforcement shall be without duplication and the respective obligations of MorphoSys will be deemed fulfilled if either MorphoSys AG or MorphoSys Inc. fulfilled the respective obligation.

(b) COMPANY's Obligation. In case this Agreement imposes an obligation on COMPANY, either MorphoSys AG or MorphoSys Inc. shall be entitled to enforce such right towards COMPANY; however, MorphoSys AG and MorphoSys Inc. can only claim performance once and the respective obligation will be deemed fulfilled if COMPANY has fulfilled the respective obligations towards either MorphoSys AG and MorphoSys Inc.

18.8 Relationship of the Parties. It is expressly agreed that the Parties' relationship under this Agreement is strictly one of licensor-licensee, and that this Agreement does not create or constitute a partnership, joint venture or agency. Neither Party shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding (or purport to be binding) on the other.

18.9 Mutual Duty of Good Faith. The Parties undertake to be loyal to one another. Each Party shall inform the other immediately of all events that arise during the Term and that may affect its conduct. Both Parties undertake not to actively entice away the respective other Party's employees who are or were involved in the performance of any activities under this Agreement, prior to expiration of a blocking period of [***] months following the Execution Date; ***provided, however***, that the foregoing provision will not prevent any of the Parties from (i) employing or engaging any such person who contacts a Party on his or her own initiative without any direct or indirect solicitation by or encouragement from such Party, (ii) engaging in general solicitations not specifically targeted at such persons or employing or engaging any such person who contacts a Party's response to such general solicitation or (iii) employing or engaging any such person who no longer works for a Party at the time the other Party first commence employment discussions with such person.

18.10 Waiver. Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. The waiver by either Party hereto of any right hereunder or of claims based on the failure to perform or a breach by the other Party shall not be deemed a waiver of any other right hereunder or of any other breach or failure by said other Party whether of a similar nature or otherwise.

18.11 No Benefit to Third Parties. This Agreement is for the sole benefit of the Parties hereto and their successors and permitted assigns, and it shall not be construed as conferring any rights on any other parties, except as expressly set forth in this Agreement.

18.12 Further Assurance. Each Party shall duly execute and deliver, or cause to be duly executed and delivered, such further instruments and do and cause to be done such further

CONFIDENTIAL

acts and things, including the filing of such assignments, agreements, documents and instruments, as may be necessary or as the other Party may reasonably request in connection with this Agreement and the performance thereunder, or to carry out more effectively the provisions and purposes, or to better assure and confirm unto such other Party its rights and remedies under this Agreement.

18.13 English Language. This Agreement has been written and executed in the English language as used in the United States of America and shall be interpreted in accordance with the English language as used in the United States of America. Any translation by a Party into any other language shall not be an official version thereof, and in the event of any conflict in interpretation between the English version and such translation, the English version shall control.

18.14 No Drafting Party. This Agreement has been submitted to the scrutiny of, and has been negotiated by, both Parties and their counsel, and shall be given a fair and reasonable interpretation in accordance with its terms, without consideration or weight being given to any such terms having been drafted by any Party or its counsel. No rule of strict construction shall be applied against either Party.

18.15 Anti-Corruption and Bribery. Each Party shall, and its officers, directors, employees, agents, representatives, or any other person acting on its behalf (collectively its "**Representatives**") shall, comply at all times with all applicable Laws combating bribery and corruption, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, the bribery provisions in the German Criminal Code ("**Anti-Bribery Laws**"). Each Party further represents and warrants that neither it nor any of its Representatives has offered to pay, paid, or accepted, and undertakes that neither it nor any of its Representatives will offer, pay, or accept, any bribes (including any improper advantages, such as, but not limited to, cash or cash equivalents, improper gifts, excessive entertainment, lavish travel, substantial favors etc.) to or by any person (including, in particular, any Government Official or Healthcare Professional of any jurisdiction) to secure or retain a business advantage for such Party's own benefit, the benefit of the other Party under or in connection with this Agreement, or for the benefit of any other party. Each Party shall take appropriate steps, in particular maintain and effectively enforce internal policies and procedures, to ensure that Representatives will not breach any Anti-Bribery Laws. Each Party shall be responsible for any breach of Anti-Bribery Laws by its Representatives under or in connection with this Agreement. In addition, Each Party shall ensure that any person engaged by such Party for purposes of performing services or providing goods under or in connection with this Agreement does so only on the basis of a written contract which imposes on and secures from such person terms equivalent to those imposed on each Party in this and the foregoing paragraphs of this Section. Any material breach of any obligation under this Section by a Party or its Representatives may entitle the other Party to terminate this Agreement in accordance with Section 17.2(a) and claim any damages resulting from such breach.

18.16 Trade Controls. Each Party will perform all activities under this Agreement in compliance with all applicable Export Controls and Economic Sanctions Laws, including all applicable U.S. and EU laws, regulations, and orders imposing trade sanctions on countries (including their governments, residents, and entities organized under the laws of or operating from such countries), individuals, or entities and/or regulating the export, re-export, transfer, disclosure, or provision of commodities, software, technology, or services.

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18.17 Protection of Personal Data. Each Party shall comply with all applicable Data Protection Laws. The Parties agree that the collection, processing and disclosure of personal data, including but not limited to personal data (as defined by privacy Laws) related to study participants (e.g. health and medical information), investigators and any study staff (e.g., name, hospital or clinic address and phone number, curriculum vitae) is subject to compliance with privacy Laws. Each Party undertakes to comply with the requirements set forth in applicable privacy Laws. Within [***] days from the Execution Date, and *prior to* the processing of personal data, the Parties shall enter into a Data Processing Agreement in accordance with privacy Laws, in substantially the form attached hereto as **EXHIBIT 13**, which shall be incorporated by reference herein, that establishes the Parties' obligations to each other and with regard to the personal data to be processed including but not limited to Regulation (EU) 2016/679 and of the Council of 27 April 2016, on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, the EU general data protection regulation (GDPR) repealing Directive 95/46/EC.

18.18 Construction. Except where the context otherwise requires, wherever used, the use of any gender shall be applicable to all genders and the word "or" is used in the inclusive sense (and/or). The captions of this Agreement are for convenience of reference only and in no way define, describe, extend or limit the scope or intent of this Agreement or the intent of any provision contained in this Agreement. The term "including" as used herein means including, without limiting the generality of any description preceding such term. The word "any" means "any" unless otherwise clearly indicated by context. Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document refer to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or therein), (ii) any reference to any Laws refer to such Laws as from time to time enacted, repealed or amended, (iii) the words "herein", "hereof" and "hereunder", and words of similar import, refer to this Agreement in its entirety and not to any particular provision hereof, and (iv) all references herein to Sections and Exhibits, unless otherwise specifically provided, refer to the Sections and Exhibits of this Agreement. Definitions using the singular shall be applicable also to the plural and vice-versa. Headings are for convenience only.

18.19 Cumulative Remedies. Except to the extent otherwise expressly set forth in this Agreement, the rights and remedies of the Parties set forth herein or otherwise available at law or equity are cumulative and not alternative or exclusive.

18.20 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. If any signature is delivered by facsimile transmission or by e-mail delivery of a "PDF" format data file, such signature shall create a valid and binding obligation of the Party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or "PDF" signature page were an original thereof, provided that such facsimile or "PDF" signature is confirmed by an original signature.

18.21 Anti-Trust Filing.

(a) Each of the Parties shall prepare and make appropriate filings under the HSR Act and other applicable antitrust regulations and laws in all required jurisdictions relating to the transaction contemplated by this Agreement as soon as reasonably practicable after the Execution Date (but not later than [***] Business Days, unless the

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Parties mutually agree otherwise) ("**HSR Filing Date**"). The Parties agree to cooperate in the Clearance process and to furnish promptly to the FTC, the Antitrust Division of the DOJ and any other agency or authority requiring antitrust filing in any other jurisdiction, any information reasonably requested by them in connection with such filings. In the event a provision of this Agreement needs to be deleted or substantially revised in order to obtain Clearance of this transaction, the Parties will negotiate in good faith an amendment to this Agreement. Each Party shall bear its own expenses in connection with the Parties' cooperation under this Section 18.21 except that COMPANY shall pay all filing fees due with respect to any filings under the HSR Act, in Germany and in Austria.

(b) Other than the provisions of this Section 18.21 and Section 16, the rights and obligations of the Parties under this Agreement shall not become effective until the Effective Date. Upon the occurrence of the Effective Date, all provisions of this Agreement shall become effective automatically without the need for further action by the Parties.

(c) In the event that Clearance is not obtained within [***] calendar days after the HSR Filing Date, or such other date as the Parties may mutually agree, this Agreement may be terminated by any Party on written notice to the other Party.

(d) Upon the terms and subject to the conditions of this Agreement, each of the Parties shall (i) make promptly its respective filings and thereafter make any other required submissions, under the HSR Act and any other applicable Law with respect to this Agreement, if required, and (ii) use its best efforts to take, or cause to be taken, all appropriate action, and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws to consummate and make effective this transaction, and the other transactions contemplated by this Agreement, including using its best efforts to obtain all permits, consents, approvals, authorizations, qualifications and orders of Governmental Authorities as are necessary for the consummation of the transactions contemplated by this Agreement and to fulfill the conditions to this Agreement; provided, that the term "best efforts" as used in this Section 18.21(d) shall not require any Party to (a) sell, divest (including through a license or a reversion of licensed or assigned rights), hold separate, transfer, or dispose of any portion of the assets, operations, rights, product lines, or businesses, or interests therein, of itself or any of its Affiliates (or consent to any of the foregoing actions), (b) restrain, restrict, prohibit or limit the ability of any Party to conduct its business or own its assets (or consent to any of the foregoing actions) or (c) litigate or otherwise formally oppose any determination (whether judicial or administrative in nature) by a Governmental Authority seeking to challenge the transactions contemplated by this Agreement or impose any of the restrictions referenced in clause (a) or (b) above.

[END OF CONTRACT TERMS – SIGNATURE PAGE TO FOLLOW ON NEXT PAGE]

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IN WITNESS WHEREOF, and intending to be legally bound hereby, the Parties have caused this collaboration and license agreement to be executed by their respective duly authorized officers.

MorphoSys AG

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

MorphoSys US Inc.

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

INCYTE CORPORATION

By: _____ By: _____

Name: _____ Name: _____

Title: _____ Title: _____

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EXHIBITS to Collaboration and License Agreement:

EXHIBIT 1	AMINO ACID SEQUENCE OF LICENSED ANTIBODY (MOR208)
EXHIBIT 2	MORPHOSYS BACKGROUND PATENTS
EXHIBIT 3	XENCOR BACKGROUND PATENTS
EXHIBIT 4	KNOW-HOW
EXHIBIT 5	XENCOR FOREGROUND PATENTS
EXHIBIT 6	DEVELOPMENT PLAN OUTLINE
EXHIBIT 7	JOINT DEVELOPMENT BUDGET OUTLINE
EXHIBIT 8A	MORPHOSYS TRIALS OUTLINE
EXHIBIT 8B	COMPANY TRIAL OUTLINE
EXHIBIT 8C	COMPANY JAPAN TRIAL OUTLINE
EXHIBIT 9	XMAB5871
EXHIBIT 10	PRESS RELEASE
EXHIBIT 11	DISPUTE RESOLUTION PROCEDURE
EXHIBIT 12	EXISTING PRODUCT MARKS
EXHIBIT 13	DATA PROCESSING AGREEMENT
EXHIBIT 14	CO-COMMERCIALIZATION PLAN OUTLINE
EXHIBIT 15	CO-COMMERCIALIZATION BUDGET OUTLINE
EXHIBIT 16	CONTRIBUTION TO EQUITY AND SHARE ISSUANCE
EXHIBIT 17	TRANSITION PLAN DRAFT
EXHIBIT 18	STATEMENT FOR COMPANY'S MEDIA RELEASES AND PUBLICATIONS
EXHIBIT 19	DISCLOSURE SCHEDULE
EXHIBIT 20	ADDITIONAL CAP RE OBLIGATION UNDER SECTION 14.1(B)(II)(3)(Z)

EXHIBIT 1

AMINO ACID SEQUENCE OF LICENSED ANTIBODY (MOR208)

[***]

EXHIBIT 2

MORPHOSYS BACKGROUND PATENTS

[***]

EXHIBIT 3

XENCOR BACKGROUND PATENTS

[***]

EXHIBIT 4

KNOW-HOW

[***]

EXHIBIT 5

Xencor Foreground Patents

[***]

EXHIBIT 6

DEVELOPMENT PLAN OUTLINE

[***]

EXHIBIT 7

JOINT DEVELOPMENT BUDGET OUTLINE

[***]

EXHIBIT 8A

MORPHOSYS TRIALS OUTLINE

[***]

EXHIBIT 8B
COMPANY TRIAL(I) OUTLINE

[***]

EXHIBIT 8C

COMPANY JAPAN TRIAL OUTLINE

[***]

EXHIBIT 9
XMAB5871

[***]

EXHIBIT 10

PRESS RELEASE

Media Release

Planegg/Munich, Germany, and Wilmington, Delaware, U.S., January 12/13, 2020

MorphoSys and Incyte Sign Global Collaboration and License Agreement for Tafasitamab

- MorphoSys and Incyte to co-commercialize tafasitamab in the U.S.
- Incyte has exclusive commercialization rights outside of the U.S.
- MorphoSys and Incyte to host joint conference call on January 13, 2020 at 7:00am PST / 4:00pm CET

MorphoSys AG (FSE: MOR; Prime Standard Segment; MDAX & TecDAX; NASDAQ: MOR) and Incyte Corporation (NASDAQ: INCY) announced today that the companies have entered into a collaboration and license agreement to further develop and commercialize MorphoSys' proprietary anti-CD19 antibody tafasitamab (MOR208) globally. Tafasitamab is an Fc-engineered antibody against CD19 currently in clinical development for the treatment of B cell malignancies. MorphoSys and Incyte will co-commercialize tafasitamab in the U.S., while Incyte has exclusive commercialization rights outside of the U.S.

"The global partnership with Incyte is an important step towards unlocking the full potential of tafasitamab and achieving our goal of rapidly bringing tafasitamab to patients inside and outside of the U.S.," said Jean-Paul Kress, M.D., Chief Executive Officer of MorphoSys. "The combination of our strong antibody and drug development expertise partnered with Incyte's well-established hematology-oncology experience and their commercial operations in key territories has the potential to significantly broaden the tafasitamab opportunity. We are pleased to work with Incyte to jointly improve the lives of patients suffering from DLBCL and other devastating diseases."

"Bringing together Incyte's expertise and MorphoSys' commitment to innovation will allow us to make tafasitamab widely available to patients with cancer, upon approval," said Hervé Hoppenot, CEO of Incyte. "We look forward to collaborating closely with the team at MorphoSys and adding tafasitamab to our portfolio of oncology candidates as part of our committment to bringing new, advanced treatment options to patients and the clinical community around the world."

Under the terms of the agreement, MorphoSys will receive an upfront payment of $750 million and, in addition, Incyte will make an equity investment into MorphoSys of $150 million in new American Depositary Shares (ADS) of MorphoSys at a premium to the share price at signing of the agreement. Depending on the achievement of certain developmental, regulatory and commercial milestones, MorphoSys will be eligible to receive milestone payments amounting to up to $1.1 billion. MorphoSys will also receive tiered royalties on ex-U.S. net sales of tafasitamab in a mid-teens to mid-twenties percentage range of net sales.

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

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

Both parties have agreed to co-develop tafasitamab broadly in relapsed/refractory diffuse large B cell lymphoma (r/r DLBCL), frontline DLBCL as well as additional indications beyond DLBCL, such as follicular lymphoma (FL), marginal zone lymphoma (MZL) and chronic lymphocytic leukemia (CLL). Incyte will be responsible for initiating a combination study of its investigational PI3K-delta inhibitor parsaclisib and tafasitamab in r/r B cell malignancies. Further, Incyte will be responsible for leading any potential registration-enabling studies in CLL and a phase 3 trial in r/r FL/MZL. MorphoSys will continue to be responsible for its currently ongoing clinical trials of tafasitamab in non-Hodgkin lymphoma (NHL), CLL, r/r DLBCL and frontline DLBCL. The parties will share responsibility in starting additional global trials, and Incyte intends to pursue development in additional territories including Japan and China.

MorphoSys recently submitted a Biologics License Application (BLA) for tafasitamab, in combination with lenalidomide, to the U.S. Food and Drug Administration (FDA) for the treatment of r/r DLBCL; the FDA decision regarding a potential approval is expected by mid-2020. The submission of a Marketing Authorization Application (MAA) to the European Medicines Agency (EMA) in r/r DLBCL is planned for mid-2020.

The agreement between MorphoSys and Incyte, including the equity investment, is subject to clearance by the U.S. antitrust authorities under the Hart-Scott-Rodino Act as well as by the German and Austrian antitrust authorities, and will become effective as soon as these conditions have been met.

MorphoSys and Incyte will host a joint conference call on January 13, 2020 at 7:00am PST/ 4:00pm CET.

Dial-in numbers for the conference call on Monday, January 13, 2020 at 7:00am PST; 3:00pm GMT; 10:00am EST; 04:00pm CET:

For Germany:	+49 69 201 744 220
For the U.K.:	+44 203 009 2470
For the U.S.:	+1 877 423 0830
Participant PIN:	55656540#

Please dial in 10 minutes before the beginning of the conference.

A live webcast will be made available at www.morphosys.com and at investor.incyte.com.

About Tafasitamab

Tafasitamab is an investigational humanized Fc-engineered monoclonal antibody directed against CD19. In 2010, MorphoSys licensed exclusive worldwide rights to develop and commercialize tafasitamab from Xencor, Inc. Tafasitamab incorporates an XmAb® engineered Fc domain, which is intended to lead to a significant potentiation of antibody-dependent cell-mediated cytotoxicity (ADCC) and antibody-dependent

cellular phagocytosis (ADCP), thus aiming to improve a key mechanism of tumor cell killing. MorphoSys is clinically investigating tafasitamab as a therapeutic option in B cell malignancies in a number of ongoing combination trials. An open-label phase 2 combination trial (L-MIND study) is investigating the safety and efficacy of tafasitamab in combination with lenalidomide in patients with relapsed/refractory DLBCL who are not eligible for high-dose chemotherapy (HDC) and autologous stem cell transplantation (ASCT). Based on interim data from L-MIND, in October 2017 the U.S. FDA granted Breakthrough Therapy Designation for tafasitamab plus lenalidomide in this patient population. Re-MIND, the real-world data lenalidomide alone matched control cohort met its primary endpoint in October 2019, demonstrating clinical superiority of the tafasitamab/lenalidomide combination compared to lenalidomide alone. The ongoing phase 3 study B-MIND assesses the combination of tafasitamab and bendamustine versus rituximab and bendamustine in r/r DLBCL. In addition, tafasitamab is currently being investigated in patients with relapsed/refractory CLL/SLL after discontinuation of a prior Bruton tyrosine kinase (BTK) inhibitor therapy (e.g. ibrutinib) in combination with idelalisib or venetoclax.

About MorphoSys

MorphoSys (FSE & NASDAQ: MOR) is a clinical-stage biopharmaceutical company dedicated to the discovery, development and commercialization of exceptional, innovative therapies for patients suffering from serious diseases. The focus is on cancer. Based on its leading expertise in antibody, protein and peptide technologies, MorphoSys, together with its partners, has developed and contributed to the development of more than 100 product candidates, of which 28 are currently in clinical development. In 2017, Tremfya®, marketed by Janssen for the treatment of plaque psoriasis, became the first drug based on MorphoSys's antibody technology to receive regulatory approval. The Company's most advanced proprietary product candidate, tafasitamab (MOR208), has been granted U.S. FDA breakthrough therapy designation for the treatment of patients with relapsed/refractory diffuse large B-cell lymphoma (DLBCL). Headquartered near Munich, Germany, the MorphoSys group, including the fully owned U.S. subsidiary MorphoSys US Inc., has approximately 405 employees. More information at https://www.morphosys.com.

About Parsaclisib

Parsaclisib (INCB50465) is a highly selective and potent inhibitor of the phosphatidylinositol 3-kinase delta (PI3Kδ) isoform. PI3Kδ is an important target implicated in malignant B-cell growth, survival and proliferation, and its inhibition has potential as a mechanism to treat hematologic malignancies and a variety of B-cell mediated and antibody-driven diseases beyond oncology. The CITADEL (Clinical Investigation of TArgeted PI3K-DELta Inhibition in Lymphomas) clinical trial program is currently evaluating parsaclisib in several ongoing Phase 2 trials as a treatment for non-Hodgkin lymphomas (follicular, marginal zone and mantle cell). Parsaclisib is also being studied for patients with autoimmune hemolytic anemia and as part of a combination therapy for patients with myeloproliferative neoplasms and non-Hodgkin lymphomas including diffuse large B-cell lymphoma.

About Incyte Corporation

Incyte is a Wilmington, Delaware-based, global biopharmaceutical company focused on finding solutions for serious unmet medical needs through the discovery, development and commercialization of proprietary therapeutics. For additional information on Incyte, please visit Incyte.com and follow @Incyte.

MorphoSys forward looking statements

This communication contains certain forward-looking statements concerning the MorphoSys group of companies, including the expectations regarding the licensing agreement for tafasitamab, the further clinical development of tafasitamab, interactions with regulatory authorities and expectations regarding regulatory filings and possible approvals for tafasitamab as well as the potential future commercialization of tafasitamab. The forward-looking statements contained herein represent the judgment of MorphoSys as of the date of this release and involve known and unknown risks and uncertainties, which might cause the actual results, financial condition and liquidity, performance or achievements of MorphoSys, or industry

results, to be materially different from any historic or future results, financial conditions and liquidity, performance or achievements expressed or implied by such forward-looking statements. In addition, even if MorphoSys' results, performance, financial condition and liquidity, and the development of the industry in which it operates are consistent with such forward-looking statements, they may not be predictive of results or developments in future periods. Among the factors that may result in differences are MorphoSys' expectations regarding the licensing agreement for tafasitamab, the further clinical development of tafasitamab, interactions with regulatory authorities and expectations regarding regulatory filings and possible approvals for tafasitamab as well as the potential future commercialization of tafasitamab, MorphoSys' reliance on collaborations with third parties, estimating the commercial potential of its development programs and other risks indicated in the risk factors included in MorphoSys's Annual Report on Form 20-F and other filings with the US Securities and Exchange Commission. Given these uncertainties, the reader is advised not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as of the date of publication of this document. MorphoSys expressly disclaims any obligation to update any such forward-looking statements in this document to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements, unless specifically required by law or regulation.

Incyte forward looking statements

Except for the historical information set forth herein, the matters set forth in this press release contain predictions, estimates and other forward-looking statements, including without limitation statements regarding: whether the planned transaction will close within the expected timeframe or ever; whether tafasitamab will be approved for use in humans anywhere or will be commercialized anywhere successfully or at all; whether the MAA for tafacitinib will be submitted within the expected timeframe or at all; whether tafasitamab or parsaclisib will be effective in the treatment of the indications discussed in this press release; whether this collaboration will broaden the potential market for tafasitamab; and whether and when any of the milestone payments or royalties under this collaboration will ever be paid by Incyte. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially, including unanticipated developments in and risks related to: obtaining regulatory approval for this planned collaboration; research and development efforts related to the collaboration programs; the possibility that results of clinical trials may be unsuccessful or insufficient to meet applicable regulatory standards or warrant continued development; other market or economic factors, including other scientific developments; unanticipated delays; the effects of market competition; risks associated with relationships between collaboration partners; the impact of governmental actions regarding pricing, importation and reimbursement for pharmaceuticals; and such other risks detailed from time to time in each company's reports filed with the Securities and Exchange Commission, including Incyte's quarterly report on Form 10-Q for the quarter ended September 30, 2019 and MorphoSys's Annual Report on Form 20-F for the fiscal year ended December 31, 2018. Each party disclaims any intent or obligation to update these forward-looking statements.

For more information, please contact:

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EXHIBIT 11

Dispute Resolution Procedure

(a) Any Dispute shall be brought to the attention of a senior management representative of each Party, who shall attempt to resolve the Dispute in good faith. If, however, the senior management representatives of the Parties are unable to resolve a Dispute, the CEOs or presidents (or their respective designee, provided the designee has authority to resolve the Dispute) of the Parties shall on the request of any of the Parties attempt in good faith to promptly resolve such Dispute within [***] calendar days. The limitation period with respect to claims relating to a dispute submitted to CEOs or presidents as provided for above is suspended by submission of the dispute until [***] after lapse of the aforementioned period of time.

(b) If the CEOs or presidents or permitted designees are unable to resolve such Dispute within such period, either Party may submit the Dispute to final and binding arbitration in accordance with the [***]; ***provided, however,*** any dispute regarding the validity, scope or enforceability of patents licensed under this Agreement shall be submitted to a court of competent jurisdiction. The arbitration shall be conducted in the English language by [***] appointed in accordance with the [***], with the exception that the sole arbitrator or the President shall be nominated by the Parties. The place of arbitration is [***].

(c) The costs of the arbitration as well as all reasonable out-of-pocket costs (including, without limitation, reasonable attorneys' fees and reasonable travel expenses) shall be borne [***].

(d) Except as may be required by applicable Laws, neither Party, nor any Affiliate thereof, nor an arbitrator may disclose the existence, content or result of any arbitration held with respect to this Agreement without the prior written consent of both Parties. The Parties mutually agree that all information, documents, testimony, exhibits and other written, recorded, graphic or other information produced, exchanged or used in any way in any arbitration proceeding under this Section are designated as confidential and shall not be disclosed to anyone other than the Parties, their attorneys and advisors, and the arbitrators. Furthermore, any and all documents, materials or other information designated as confidential that are produced to or received by the other Party or any Affiliate as part of the arbitration proceeding shall be returned to the Party that produced or provided such materials within [***] calendar days of the conclusion of the arbitration, or such materials shall be certified in writing to have been destroyed within [***] calendar days of the conclusion of the arbitration; ***provided, however***, that the Parties and their counsel may retain copies of briefs and other papers filed with the arbitrators that contain or constitute such confidential material, so long as such briefs and other papers are maintained according to the confidentiality provisions of this Agreement.

(e) By agreeing to arbitration neither Party intends to deprive any competent court having jurisdiction to issue a pre-arbitral injunction, pre-arbitral attachment or other order in aid of the arbitration proceedings and the enforcement of any award or injunction in aid of the arbitration proceedings. Without prejudice to such provisional remedies in aid of arbitration as may be available under the jurisdiction of a national court, the arbitration panel shall have full authority to grant provisional remedies and to award damages for failure of any Party to respect the arbitration panel's order to that effect.

(f) The arbitral tribunal shall [***].

(g) If a Party fails to make the payment of any advance on costs fixed by the [***], and if the other Party makes the payment in lieu of the defaulting Party, the arbitral tribunal may, at the request of the paying Party, issue a separate award for reimbursement of the payment. Alternatively, the paying Party may ask the arbitral tribunal to order interim or conservatory measures, or it may, at its discretion, apply the competent state courts.

EXHIBIT 12
EXISTING PRODUCT MARKS

[***]

EXHIBIT 13

DATA PROCESSING AGREEMENT

(JOINT CONTROLLER VERSION)

This Data Processing Agreement ("**DPA**") is effective on <<Insert Effective Date>> ("**DPA Effective Date**") and is between MorphoSys AG ("**MorphoSys**"), acting on its own behalf and as an agent for each MorphoSys Affiliate and <<Insert COMPANY Name >> ("**COMPANY**") as an agent for each COMPANY Affiliate, each a "**Party**" and together, "**Parties**".

WHEREAS, the Parties entered into a separate collaboration and license agreement (the "**Agreement**") effective as of <<Insert Agreement Effective Date>> for the further development and commercialization of tafasitamab worldwide.

WHEREAS, this DPA is being entered into between the Parties to establish the data protection duties and obligations between them regarding Shared Personal Data (defined below), where the Parties are acting as Joint Controllers (defined below) and this DPA forms part of, and should be read in conjunction with, the Agreement.

NOW THEREFORE, in consideration of the mutual obligations set out herein, the Parties hereby agree to the terms and conditions as follows:

1. **DEFINITIONS.** IN THIS DPA, THE FOLLOWING TERMS SHALL HAVE THE MEANINGS SET OUT BELOW.

"Agreement" means any existing agreement entered into between the Parties pursuant to which collaboration activities involve Shared Personal Data;

"Affiliate" means an entity that owns or controls, is owned or controlled by or is or under common control or ownership, where control is defined as the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of an entity, whether through ownership of voting securities, by contract or otherwise;

"Controller", "Data Subject", "Joint Controller", "Personal Data", "Process/Processing", "Processor", and **"Special Categories of Personal Data"** shall have the same meaning as in the Data Protection Laws (and its derivatives) as may apply;

"Data Protection Laws" means the EU General Data Protection Regulation 2016/679 **("GDPR")** (and its derivatives), Directive 2002/58/EC (as transposed into domestic legislation of each European Union Member State or Member State of the EEA) and any other applicable data protection laws, regulations, codes of practice, codes of conduct, guidance issued by any relevant Supervisory Authority in the relevant jurisdiction relating to the protection of natural persons with regard to Personal Data, privacy or Applicable Law amending, replacing or superseding any of the foregoing and in particular, following exit by the United Kingdom from the European Union, or, and to the extent applicable, the data protection or privacy laws of any other country including, without limitation, Switzerland;

"EEA" means the European Economic Area;

"Permitted Purposes" the purposes for which Processing of Shared Personal Data is permitted, as set out in Annex 1 to this DPA;

"Personal Data Breach" means a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, Shared Personal Data transmitted, stored or otherwise Processed;

"Shared Personal Data" means Personal Data that is provided by a Party and Processed by the other Party or any of each Party's Affiliates whereby each Party is acting as a Joint Controller of the Personal Data.

"Standard Contractual Clauses" means the standard contractual clauses for the transfer of personal data to controllers established in third countries which do not ensure an adequate level of protection as set out in Commission Decision C(2004)5721; and

"Supervisory Authority" means (a) an independent public authority which is established by a European Union Member State or member of the EEA pursuant to Article 51 GDPR; and (b) any similar regulatory authority responsible for the enforcement of Data Protection Laws.

2. ROLES OF THE PARTIES. IN THE COURSE OF THE PARTIES' PERFORMANCE OF WORK UNDER THE AGREEMENT, THE PARTIES ACKNOWLEDGE THAT EACH PROCESSES SHARED PERSONAL DATA AS JOINT CONTROLLERS. ACCORDINGLY, EACH PARTY HEREBY UNDERTAKES TO COMPLY WITH THE PROVISIONS SET OUT IN THIS DPA WITH RESPECT TO ITS PROCESSING OF SHARED PERSONAL DATA.

3. **COMPLIANCE WITH LAW.** EACH OF THE PARTIES SHALL COMPLY WITH ITS RESPECTIVE OBLIGATIONS UNDER APPLICABLE DATA PROTECTION LAWS IN RELATION TO ITS PROCESSING OF SHARED PERSONAL DATA PURSUANT TO THE AGREEMENT (INCLUDING THIS DPA).

4. **GENERAL OBLIGATIONS.**

4.1 In respect of its Processing of Shared Personal Data as Joint Controllers, each Party shall undertake to:

4.1.1 not Process Shared Personal Data in a way that is incompatible with the Permitted Purposes;

4.1.2 not Process Shared Personal Data for longer than is necessary to carry out the Permitted Purposes (other than to comply with a requirement of EU, Member State or UK applicable laws to which the Parties are subject);

4.1.3 take all measures required pursuant to Article 32 of the GDPR, and, where the Personal Data is Processed in a jurisdiction other than in the EEA, shall comply with the obligations set out in the relevant schedule, to ensure the security of Processing of Shared Personal Data, including (where relevant) each of the technical and organisational measures listed in Annex 3;

4.1.4 ensure that persons authorized to process Shared Personal Data have undertaken appropriate training in relation to Data Protection Laws; committed themselves to confidentiality or are under an appropriate statutory obligation of confidentiality;

4.1.5 ensure that, in relation to any Processors appointed by a Party:

4.1.5.1 appropriate, documented due diligence is carried out on such Processor(s) prior to its appointment to ensure that, to the reasonable satisfaction of the respective Party, it is

able to comply with (and that it will be in a position to ensure the the Party's compliance with) all relevant provisions of the Data Protection Laws; and

4.1.5.2 the Party (or such Party's Affiliate, provided that the Party has express third party rights) has entered into a contract with the Processor which incorporates all necessary provisions of the Data Protection Laws.

4.2 Each Party shall co-operate with the other, to the extent reasonably requested, in relation to:

(i) any requests from Data Subjects to exercise rights under applicable Data Protection Laws;

(ii) any other communication from a Data Subject concerning the Processing of Shared Personal Data; and

(iii) any communication from a Supervisory Authority concerning either the Processing of Shared Personal Data, or compliance with the Data Protection Laws in relation to the Shared Personal Data.

5. PERSONAL DATA BREACH.

5.1 Each Party shall notify the other and the other Party's Affiliate (as applicable) as set forth in Section 9.3 below without undue delay upon becoming aware of or reasonably suspecting a Personal Data Breach.

5.2 In the event of a Personal Data Breach, the Party and its Affiliate(s) shall not inform any third party without first obtaining the prior written consent of the other Party, and each Party's relevant Affiliate (if applicable), unless notification is required by EU or Member State law to which the Party or its Affiliate is subject, in which case the Party or its Affiliate shall to the extent permitted by such law inform the other Party or its Affiliate(s) of that legal requirement, provide a copy of the proposed notification and consider any comments made by the Party or its Affiliate(s) before notifying the Personal Data Breach.

5.3 Each Party shall co-operate with the other, to the extent reasonably requested, in relation to any notifications to Supervisory Authorities or to Data Subjects, which are required following a Personal Data Breach.

5.4 The Parties acknowledge that they are Joint Controllers regarding the determination of the purposes and means of Processing of Shared Personal Data under the Agreement. This DPA constitutes an arrangement setting out the respective responsibilities of the Parties, as Joint Controllers, for compliance with the obligations under applicable Data Protection Laws.

6. **JOINT CONTROLLERS' OBLIGATIONS.**

6.1 As Joint Controllers, the Parties agree that they shall:

6.1.1 Each maintain a register of their processing activities in the context of the services provided or received under the Agreement. The register shall contain at least the required information under the applicable Data Protection Laws;

6.1.2 Co-operate to ensure that Data Subjects are provided with all information regarding the Processing of the Shared Personal Data to which they are entitled under applicable Data Protection Laws;

6.1.3 Except where an express request is made by a Data Subject to liaise directly with the other Party, be responsible for responding to all requests from Data Subjects to exercise rights under applicable Data Protection Laws (in relation to which the Party shall provide the other Party with reasonable assistance

upon request). Notwithstanding the foregoing, a Party shall notify the other Party immediately upon receiving any such request always in accordance with Section 9.3 below, and shall take due account of the other Party's views when responding to a request on behalf of the Parties;

6.1.4 Each its own retention periods in respect of the Shared Personal Data which it Processes. The Parties shall not Process Shared Personal Data for longer than is necessary to carry out the Permitted Purposes set out in Annex 1;

6.1.5 Except where the Data Protection Laws or other applicable laws provide otherwise, be jointly and severally liable towards Data Subjects for all damages they have suffered in the framework of the Processing of Shared Personal Data under the Agreement. In the event that one of the Parties is addressed or subpoenaed in that regard that Party shall immediately inform the other Party thereof in accordance with Section 9.3 below.

7. **ASSURANCE.** IN ADDITION TO ANY AUDIT RIGHTS GRANTED PURSUANT TO THE AGREEMENT, A PARTY SHALL MAKE AVAILABLE TO THE OTHER PARTY ON REQUEST ALL INFORMATION NECESSARY TO DEMONSTRATE COMPLIANCE WITH THIS DPA AND THE APPLICABLE DATA PROTECTION LAWS.

8. **INTERNATIONAL TRANSFERS**

8.1 A Party shall not (and shall ensure that each appointed Processor shall not) transfer Shared Personal Data outside of the EEA, Switzerland, or any other jurisdiction except in accordance with the applicable Data Protection Laws.

8.2 Without prejudice to the foregoing, each Party consents to the Processing of Shared Personal Data by the other Party in accordance with the following when Personal Data is transferred out of the EEA or Switzerland

8.2.1 Processing of Shared Personal Data by a Party or its Processor(s) in a country which is considered an adequate country by the European Commission; or

8.2.2 Processing of Shared Personal Data by a Party or its Processor(s) in third countries (countries not recognized as adequate per the European Commission) provided that: (a) a Party enters into Standard Contractual Clauses and the Standard Contractual Clauses shall come into effect on the commencement of an International Transfer among any Parties to the Standard Contractual Clauses; or

8.2.3 A Party or its Processor(s) is Privacy Shield certified and maintain such accreditation. In the event a Party or its Processor(s) fails to maintain such accreditation, it shall notify the other party immediately and the Parties agree that they will enter into Standard Contractual Clauses or terminate Services and this DPA.

<<PLACEHOLDER: Insert transfer language for jurisdictions outside of the EEA/Switzerland as applicable (Annex 4).>>

9. TERMINATION

9.1 Subject to Section 8.2, the Parties agree that this DPA shall terminate automatically upon termination of the Agreement.

9.2 Any obligation imposed on either Party under this DPA in relation to the Processing of Shared Personal Data shall survive any termination or expiration of this DPA.

10. MISCELLANEOUS

10.1 **Governing Law.** This DPA shall be governed by the governing law of the Agreement.

10.2 **Entire Agreement; Order of Precedence.** This DPA, together with all Annexes attached hereto and incorporated herein by reference, constitutes the final, complete and exclusive agreement of the Parties with respect to the subject matter hereof and supersedes all prior understanding and agreements relating to its subject matter. With regard to the subject matter of this DPA, in the event of inconsistencies between the provisions of this DPA and any other agreements (including but not limited to the Agreement) between the Parties, the provisions of this DPA shall prevail with regard to the Parties' data protection obligations for Shared Personal Data of a Data Subject from a European Union Member State or member state of the EEA. In the event of any conflict or inconsistency between this DPA and the Standard Contractual Clauses (if entered into), the Standard Contractual Clauses shall prevail.

10.3 **Notices.** Any general notice to be given to a Party under or in connection with this DPA shall be in writing and shall be delivered (i) personally; (ii) by a globally recognized overnight courier; or (iii) by certified mail, postage prepaid, return receipt requested, or its equivalent. Such notices shall be deemed given upon receipt.

If any such notice is sent via Section 10.3, any such notice shall be sent to the Party at the applicable address set forth below or to such other address as to which the Party has given written notice thereof.

In the event of notices to be provided by any Party where time is of the essence in accordance with this DPA as a result of: (a) Personal Data Breach; (b) Data Subject request; or (c) inquiry/communication from a Supervisory Authority, such notices to be given by a Party to the other Party shall be emailed to the email address set forth below.

If to COMPANY:	**If to MorphoSys AG:**
General Notices:	**General Notices:**
Global Privacy Officer	**Data Protection Officer**
1801 Augustine Cut-off	**Semmelweisstrasse 7**
Wilmington, Delaware 19803	**82152 Planegg**
United States	**Germany**
In the Event of Personal Data Breach:	**In the Event of Personal Data Breach:**
cybersecurity@COMPANY.com	**datenschutz@morphosy.com**
In the Event of Data Subject Rights Request/Inquiry from a Supervisory Authority:	**In the Event of Data Subject Rights Request/Inquiry from a Supervisory Authority:**
privacy@COMPANY.com	**datenschutz@morphosy.com**

10.4 **Costs of Compliance; Modification.** Compliance by either Party with the provisions of this DPA or any amendments hereto will be at no additional cost to the other Party. If either Party wishes to vary any terms to this DPA or any Annexes attached hereto, no variation shall be valid or effective unless it is in writing and is duly signed or executed by each Party by their respective authorized representatives at no additional cost to the other Party.

10.5 **Changes in Data Protection Laws.** The Parties may notify each other in writing from time to time of any variations to this DPA which are required as a result of a change in Data Protection Laws including without limitation to the generality of the foregoing, any variations which are: (i) required as a result of any changes to United Kingdom Data Protection Laws following any exit of the United Kingdom from the European Union; or (ii) required to take account of any new data transfer mechanisms for the purposes of Section 7. Any such variations shall take effect on the date falling thirty (30) calendar days after the date such written notice is received by either Party.

10.6 **Severance.** Should any provision of this DPA be invalid or unenforceable, then the remainder of this DPA shall remain valid and in force. The invalid or unenforceable provision shall be either (i) amended as necessary to ensure its validity and enforceability, while preserving the Parties' intentions as closely as possible or, if this is not possible, (ii) construed in a manner as if the invalid or unenforceable part had never been contained therein.

10.7 **Third party rights.** Either Party's Affiliate(s) may enforce any term of this DPA which is expressly or implicitly intended to benefit it.

IN WITNESS WHEREOF, the Parties hereto, by their authorized representatives, have executed this DPA, effective as of the Effective Date first written above.

<<Insert COMPANY Name>>

By: _____

Name: _____

Title: _____

Date: _____

MorphoSys AG

By: _____

Name: _____

Title: _____

Date: _____

MorphoSys AG

By: _____

Name: _____

Title: _____

Date: _____

ANNEX 1: PERMITTED PURPOSES & DETAILS OF PROCESSING SHARED PERSONAL DATA

A) Either Party may jointly Process the Shared Personal Data for the following purposes (the **"Permitted Purposes"**)

- Personal Data may be Processed by the Parties in furtherance of co-development activities established under the terms of the Agreement.

B) This section includes certain Details of the Processing of Shared Personal Data as required by Article 28(3) GDPR.

(1) Subject Matter and Duration of the Processing of Shared Personal Data:

The subject matter and duration of the Processing of the Shared Personal Data are set out in this DPA.

(2) The Nature and Purpose of the Processing of Shared Personal Data:

The Parties are performing their respective activities under the terms of the Agreement, which involve the Processing of Shared Personal Data. The scope of the activities to be performed are set out in the Agreement, and the Shared Personal Data will be Processed by the Parties to in accordance with the terms of this DPA.

(3) The Types of Shared Personal Data to be Processed:

- Basic identification data (e.g. name, address, email, telephone, date of birth etc.)
- Medical/health data (e.g. blood type, urine test, x-rays, physical exams, known conditions, medical survey or questionnaire results, results of other procedures (specify) etc.)
- Genetic data (e.g. chromosomal, deoxyribonucleic acid (DNA) or ribonucleic acid (RNA) data, other elements enabling equivalent information to be obtained etc.)
- Biometric data (e.g. iris or retina scan, facial image, fingerprint, full body scan, dactyloscopic data)
- Financial data (e.g. bank account number)
- Location data
- Other sensitive data (e.g. race or ethnic origin)

(4) The categories of Data Subject to whom the Parties' Personal Data relates:

- Pharmaceutical Trial Participants
- Trial Doctors and Medical Professionals
- Employees, agents, contractors, representatives, vendors of both COMPANY and MorphoSys

(5) The Obligations and Rights of the Parties and their respective Affiliates:

The obligations and rights of the Parties and their respective Affiliates are set out in this DPA.

(6) The Processing Operations Carried Out in Relation to the Shared Personal Data:

The following Processing operations carried out in relation to the Shared Personal Data, for the Permitted Purposes of , the scope of which are set out in this Agreement are as follows:

- Collecting and recording the data;
- Hosting the data;
- Organizing the data;
- Adapting or altering the data;
- Consulting or retrieving the data;
- Disclosing or transferring the data

ANNEX 2: STANDARD CONTRACTUAL CLAUSES

Between

_____	(name)
_____	(address and country of establishment)
(hereinafter **the data exporter**)	

and

_____	(name)
_____	(address and country of establishment)
(hereinafter **data importer**)	

each a **party**; together **the parties**.

1. DEFINITIONS

For the purposes of the clauses:

(a) personal data, **special categories of data/sensitive data**, **process/processing**, **controller**, **processor**, **data subject** and **supervisory authority/authority** shall have the same meaning as in Directive 95/46/EC of 24 October 1995 (whereby **the authority** shall mean the competent data protection authority in the territory in which the data exporter is established);

(b) the data exporter shall mean the controller who transfers the personal data;

(c) the data importer shall mean the controller who agrees to receive from the data exporter personal data for further processing in accordance with the terms of these clauses and who is not subject to a third country's system ensuring adequate protection;

(d) clauses shall mean these contractual clauses, which are a free-standing document that does not incorporate commercial business terms established by the parties under separate commercial arrangements.

The details of the transfer (as well as the personal data covered) are specified in *Annex B*, which forms an integral part of the clauses.

2. OBLIGATIONS OF THE DATA EXPORTER

The data exporter warrants and undertakes that:

(a) The personal data have been collected, processed and transferred in accordance with the laws applicable to the data exporter.

(b) It has used reasonable efforts to determine that the data importer is able to satisfy its legal obligations under these clauses.

(c) It will provide the data importer, when so requested, with copies of relevant data protection laws or references to them (where relevant, and not including legal advice) of the country in which the data exporter is established.

(d) It will respond to enquiries from data subjects and the authority concerning processing of the personal data by the data importer, unless the parties have agreed that the data importer will so respond, in which case the data exporter will still respond to the extent reasonably possible and with the information reasonably available to it if the data importer is unwilling or unable to respond. Responses will be made within a reasonable time.

(e) It will make available, upon request, a copy of the clauses to data subjects who are third party beneficiaries under *Clause 3*, unless the clauses contain confidential information, in which case it may remove such information. Where information is removed, the data exporter shall inform data subjects in writing of the reason for removal and of their right to draw the removal to the attention of the authority. However, the data exporter shall abide by a decision of the authority regarding access to the full text of the clauses by data subjects, as long as data subjects have agreed to respect the confidentiality of the confidential information removed. The data exporter shall also provide a copy of the clauses to the authority where required.

3. OBLIGATIONS OF THE DATA IMPORTER

The data importer warrants and undertakes that:

(a) It will have in place appropriate technical and organisational measures to protect the personal data against accidental or unlawful destruction or accidental loss, alteration, unauthorised disclosure or access, and which provide a level of security appropriate to the risk represented by the processing and the nature of the data to be protected.

(b) It will have in place procedures so that any third party it authorises to have access to the personal data, including processors, will respect and maintain the confidentiality and security of the personal data. Any person acting under the authority of the data importer, including a data processor, shall be obligated to process the personal data only on instructions from the data importer. This provision does not apply to persons authorised or required by law or regulation to have access to the personal data.

(c) It has no reason to believe, at the time of entering into these clauses, in the existence of any local laws that would have a substantial adverse effect on the guarantees provided for under these clauses, and it will inform the data exporter (which will pass such notification on to the authority where required) if it becomes aware of any such laws.

(d) It will process the personal data for purposes described in *Annex B*, and has the legal authority to give the warranties and fulfil the undertakings set out in these clauses.

(e) It will identify to the data exporter a contact point within its organisation authorised to respond to enquiries concerning processing of the personal data, and will cooperate in good faith with the data exporter, the data subject and the authority concerning all such enquiries within a reasonable time. In case of legal dissolution of the data exporter, or if the parties have so agreed, the data importer will assume responsibility for compliance with the provisions of *Clause 1(e)*.

(f) At the request of the data exporter, it will provide the data exporter with evidence of financial resources sufficient to fulfil its responsibilities under *Clause 3* (which may include insurance coverage).

(g) Upon reasonable request of the data exporter, it will submit its data processing facilities, data files and documentation needed for processing to reviewing, auditing and/or certifying by the data exporter (or any independent or impartial inspection agents or auditors, selected by the data exporter and not reasonably objected to by the data importer) to ascertain compliance with the warranties and undertakings in these clauses, with reasonable notice and during regular business hours. The request will be subject to any necessary consent or approval from a regulatory or supervisory authority within the country of the data importer, which consent or approval the data importer will attempt to obtain in a timely fashion.

(h) It will process the personal data, at its option, in accordance with:

(i) the data protection laws of the country in which the data exporter is established, or

(ii) the relevant provisions of any Commission decision pursuant to Article 25(6) of Directive 95/46/EC, where the data importer complies with the relevant provisions of such an authorisation or decision and is based in a country to which such an authorisation or decision pertains, but is not covered by such authorisation or decision for the purposes of the transfer(s) of the personal data, or

(iii) the data processing principles set forth in *Annex A*.

Data importer to indicate which option it selects:
(iii)
Initials of data importer:
_____

(i) It will not disclose or transfer the personal data to a third party data controller located outside the European Economic Area (EEA) unless it notifies the data exporter about the transfer and

(i) the third party data controller processes the personal data in accordance with a Commission decision finding that a third country provides adequate protection, or

(ii) the third party data controller becomes a signatory to these clauses or another data transfer agreement approved by a competent authority in the EU, or

(iii) data subjects have been given the opportunity to object, after having been informed of the purposes of the transfer, the categories of recipients and the fact that the countries to which data is exported may have different data protection standards, or

(iv) with regard to onward transfers of sensitive data, data subjects have given their unambiguous consent to the onward transfer

4. LIABILITY AND THIRD PARTY RIGHTS

(a) Each party shall be liable to the other parties for damages it causes by any breach of these clauses. Liability as between the parties is limited to actual damage suffered. Punitive damages (i.e. damages intended to punish a party for its outrageous conduct) are specifically excluded. Each party shall be liable to data subjects for damages it causes by any breach of third party rights under these clauses. This does not affect the liability of the data exporter under its data protection law.

(b) The parties agree that a data subject shall have the right to enforce as a third party beneficiary this clause and clauses *Clause 1(b)*, *Clause 1(d)*, *Clause 1(e)*, *Clause 2(a)*, *Clause 2(c)*, *Clause 2(d)*, *Clause 2(e)*, *Clause 2(h)*, *Clause 2(i)*, *Clause 3(a)*, *Clause 5*, *Clause 6(d)*and *Clause 7* against the data importer or the data exporter, for their respective breach of their contractual obligations, with regard to his personal data, and accept jurisdiction for this purpose in the data exporter's country of establishment. In cases involving allegations of breach by the data importer, the data subject must first request the data exporter to take appropriate action to enforce his rights against the data importer; if the data exporter does not take such action within a reasonable period (which under normal circumstances would be one month), the data subject may then enforce his rights against the data importer directly. A data subject is entitled to proceed

directly against a data exporter that has failed to use reasonable efforts to determine that the data importer is able to satisfy its legal obligations under these clauses (the data exporter shall have the burden to prove that it took reasonable efforts).

5. LAW APPLICABLE TO THE CLAUSES

These clauses shall be governed by the law of the country in which the data exporter is established, with the exception of the laws and regulations relating to processing of the personal data by the data importer under *Clause 2(h)* which shall apply only if so selected by the data importer under that clause.

6. RESOLUTION OF DISPUTES WITH DATA SUBJECTS OR THE AUTHORITY

(a) In the event of a dispute or claim brought by a data subject or the authority concerning the processing of the personal data against either or both of the parties, the parties will inform each other about any such disputes or claims, and will cooperate with a view to settling them amicably in a timely fashion.

(b) The parties agree to respond to any generally available non-binding mediation procedure initiated by a data subject or by the authority. If they do participate in the proceedings, the parties may elect to do so remotely (such as by telephone or other electronic means). The parties also agree to consider participating in any other arbitration, mediation or other dispute resolution proceedings developed for data protection disputes.

(c) Each party shall abide by a decision of a competent court of the data exporter's country of establishment or of the authority which is final and against which no further appeal is possible.

7. TERMINATION

(a) In the event that the data importer is in breach of its obligations under these clauses, then the data exporter may temporarily suspend the transfer of personal data to the data importer until the breach is repaired or the contract is terminated.

(b) In the event that:

(i) the transfer of personal data to the data importer has been temporarily suspended by the data exporter for longer than one month pursuant to *Clause 6 (a)*;

(ii) compliance by the data importer with these clauses would put it in breach of its legal or regulatory obligations in the country of import;

(iii) the data importer is in substantial or persistent breach of any warranties or undertakings given by it under these clauses;

(iv) a final decision against which no further appeal is possible of a competent court of the data exporter's country of establishment or of the authority rules that there has been a breach of the clauses by the data importer or the data exporter; or

(v) a petition is presented for the administration or winding up of the data importer, whether in its personal or business capacity, which petition is not dismissed within the applicable period for such dismissal under applicable law; a winding up order is made; a receiver is appointed over any of its assets; a trustee in bankruptcy is appointed, if the data importer is an individual; a company voluntary arrangement is commenced by it; or any equivalent event in any jurisdiction occurs

then the data exporter, without prejudice to any other rights which it may have against the data importer, shall be entitled to terminate these clauses, in which case the authority shall be informed where required. In cases covered by *Clause 6.1(b)(i)*, *Clause 6.1(b)(ii)*, or *Clause 6.1(b)(iv)* above the data importer may also terminate these clauses.

(c) Either party may terminate these clauses if

(i) any Commission positive adequacy decision under Article 25(6) of Directive 95/46/EC (or any superseding text) is issued in relation to the country (or a sector thereof) to which the data is transferred and processed by the data importer, or

(ii) Directive 95/46/EC (or any superseding text) becomes directly applicable in such country.

(d) The parties agree that the termination of these clauses at any time, in any circumstances and for whatever reason (except for termination under *Clause 6(c)* does not exempt them from the obligations and/or conditions under the clauses as regards the processing of the personal data transferred.

8. VARIATION OF THESE CLAUSES

The parties may not modify these clauses except to update any information in *Annex B*, in which case they will inform the authority where required. This does not preclude the parties from adding additional commercial clauses where required.

9. DESCRIPTION OF THE TRANSFER

The details of the transfer and of the personal data are specified in *Annex B*. The parties agree that *Annex B* may contain confidential business information which they will not disclose to third parties, except as required by law or in response to a competent regulatory or government agency, or as required under *Clause 1(e)*. The parties may execute additional annexes to cover additional transfers, which will be submitted to the authority where required. *Annex B* may, in the alternative, be drafted to cover multiple transfers.

Dated:_____

DATA EXPORTER	DATA IMPORTER
_____ _____	_____ _____

ANNEX A
DATA PROCESSING PRINCIPLES

1. Purpose limitation: Personal data may be processed and subsequently used or further communicated only for purposes described in *Annex B* or subsequently authorised by the data subject.

2. Data quality and proportionality: Personal data must be accurate and, where necessary, kept up to date. The personal data must be adequate, relevant and not excessive in relation to the purposes for which they are transferred and further processed.

3. Transparency: Data subjects must be provided with information necessary to ensure fair processing (such as information about the purposes of processing and about the transfer), unless such information has already been given by the data exporter.

4. Security and confidentiality: Technical and organisational security measures must be taken by the data controller that are appropriate to the risks, such as against accidental or unlawful destruction or accidental loss, alteration, unauthorised disclosure or access, presented by the processing. Any person acting under the authority of the data controller, including a processor, must not process the data except on instructions from the data controller.

5. Rights of access, rectification, deletion and objection: As provided in Article 12 of Directive 95/46/EC, data subjects must, whether directly or via a third party, be provided with the personal information about them that an organisation holds, except for requests which are manifestly abusive, based on unreasonable intervals or their number or repetitive or systematic nature, or for which access need not be granted under the law of the country of the data exporter. Provided that the authority has given its prior approval, access need also not be granted when doing so would be likely to seriously harm the interests of the data importer or other organisations dealing with the data importer and such interests are not overridden by the interests for fundamental rights and freedoms of the data subject. The sources of the personal data need not be identified when this is not possible by reasonable efforts, or where the rights of persons other than the individual would be violated. Data subjects must be able to have the personal information about them rectified, amended, or deleted where it is inaccurate or processed against these principles. If there are compelling grounds to doubt the legitimacy of the request, the organisation may require further justifications before proceeding to rectification, amendment or deletion. Notification of any rectification, amendment or deletion to third parties to whom the data have been disclosed need not be made when this involves a disproportionate effort. A data subject must also be able to object to the processing of the personal data relating to him if there are compelling legitimate grounds relating to his particular situation. The burden of proof for any refusal rests on the data importer, and the data subject may always challenge a refusal before the authority.

6. Sensitive data: The data importer shall take such additional measures (e.g. relating to security) as are necessary to protect such sensitive data in accordance with its obligations under *Clause 2*.

7. Data used for marketing purposes: Where data are processed for the purposes of direct marketing, effective procedures should exist allowing the data subject at any time to “opt-out” from having his data used for such purposes.

8. Automated decisions: For purposes hereof “automated decision” shall mean a decision by the data exporter or the data importer which produces legal effects concerning a data subject or significantly affects a data subject and which is based solely on automated processing of personal data intended to evaluate certain personal aspects relating to him, such as his performance at work, creditworthiness, reliability, conduct, etc. The data importer shall not make any automated decisions concerning data subjects, except when:

(a) such decisions are made by the data importer in entering into or performing a contract with the data subject, and

(ii) (the data subject is given an opportunity to discuss the results of a relevant automated decision with a representative of the parties making such decision or otherwise to make representations to that parties.

or

(b) where otherwise provided by the law of the data exporter.

ANNEX B

DESCRIPTION OF THE TRANSFER

(To be completed by the parties)

Data subjects *See Annex 1*
The personal data transferred concern the following categories of data subjects:
See Annex 1

Contact points for data protection enquiries:

See DPA

ANNEX 3: TECHNICAL AND ORGANIZATIONAL SECURITY MEASURES

(A) Data Processing

The Parties must assess and reduce the scope of data access and processing limited to what is strictly necessary for the performance of the Agreement.

(B) Confidentiality

The Parties shall ensure:

1. Access to Personal Data stored or Processed is limited to members of its personnel on a strict need-to-know basis. For the avoidance of doubt, “personnel” includes employees, agents and contractors of Data Processor.

2. Access to facilities where information systems are located is be limited to authorized personnel who are specifically identified.

3. Relevant personnel who are authorized to grant, alter or cancel authorized access to data and resources have been appropriately identified.

4. Authorization profiles are defined according to the roles and responsibilities of its personnel in order to restrict access to Personal Data to duly authorized users.

5. Identification and authentication rules include things such as: (a) automated de-provisioning of access to personnel who are no longer with the respective Party; (b) personal users’ identifiers; (c) no default accounts; (d) no accounts are shared among users; (e) authentication methods based on strong password requirements; and/or (f) devices use officially recommended cryptographic mechanisms or biometric devices.

(C) Backups

The Parties shall ensure:

1. Backups are performed frequently, tested regularly and stored off-site.

2. Backups are secure by either encrypting the backups themselves or encrypting data at the source, in either case storage is maintained at a secure location.

(D) Encryption

The Parties shall ensure:

1. Data “at rest” is protected and is encrypted with AES-256 or stronger.

2. Data in transit is protected by the Parties e.g. through TLS (1.1 or higher) or hashing (SHA-2 or stronger).

3. Personal Data and Parties’ proprietary data that is transferred/uploaded to the provider is encrypted (according to specifications for “data in transit” above) and secure.

(E) Security of Infrastructure and Applications

The Parties shall ensure:

1. Software patches are applied routinely and promptly.

2. It performs regular penetration testing, vulnerability management, and intrusion prevention.

3. Applications, servers, storage, network devices, etc. are protected with complex passwords. In addition resources, exposed to external access must be protected by Multi-Factor authentication (MFA)

4. Critical firmware and software updates are installed after successful testing without delay.

5. Users of the Parties’ systems are required to notify the data privacy officer and/or the IT Service Desk immediately if information is lost or stolen in accordance with the Parties’ respective policies and the type of data impacted (ie: personal data or confidential/proprietary data).

6. It has dedicated points of contact responsible for dealing with reports of information security breaches or failures.

7. Audit logs and records of security incidents are maintained, are subject to periodic review.

(F) Development and Change Management Process

The Parties shall ensure:

1. It follows standardized and documented procedures for coding, configuration management, patch installation, and change management for all systems (e.g. applications, servers, storage, network devices, etc.) involved in delivery of contracted services.

2.

(G) Availability

The Parties must:

1. Design core IT infrastructure failsafe and redundant.

2. Have disaster recovery and backup-and-restore processes in place.

3. Have a business continuity plan that addresses the prompt restoration of the availability of and access to Parties' Personal Data

(H) Audits and Standards

The Parties must:

1. Review or audit its security operations by external security experts on a periodic basis.

2. Comply with appropriate security standards.

(I) Test and Development Environments

The Parties shall ensure that:

Only anonymized or dummy data are used in a non-production (e.g. test or development, training) environment and that these environments are secured to the same standard as production.

(J) Traceability and Logs

The Parties must:

1. Set up a logging process that records the relevant events (end users, maintenance and administrative activities, unauthorized access to Personal Data, abusive use of Personal Data, abnormalities, events related to security, etc.) and allows for determinations of the origin of an incident and that these logs are available to the Parties for e.g. incident investigation.

2. Collaborate in the event of a security incident and help each other to clarify the case, e.g. by secure exchange of relevant log data.Protect the logging equipment and the logged information against sabotage and unauthorized access.

(K) Miscellaneous

The Parties must:

1. Inform each other in case of a cyber security incident, data breach or any other critical incident which may disrupt joint operations.

2. Have policies and procedures relevant to Personal Data and IT security in place.

3. Have technical mechanisms and operational procedures in place to allow for the prompt retrieval, erasure, blocking and restriction of Parties' Personal Data relating to a particular individual (i.e. an individual's personal data).

4. Perform phishing trainings for ongoing security awareness for internal users.

5. Provide security awareness training for all personnel.

<<PLACEHOLDER: ANNEX 4: TERMS AND CONDITIONS OF TRANSFER OF PERSONAL DATA SUBJECT TO <<INSERT COUNTRY>> DATA PROTECTION LAW>>

EXHIBIT 14

CO-COMMERCIALIZATION PLAN OUTLINE

[***]

EXHIBIT 15

CO-COMMERCIALIZATION BUDGET OUTLINE

[***]

EXHIBIT 16

CONTRIBUTION TO EQUITY AND SHARE ISSUANCE

(the "Purchase Agreement")

A. COMPANY shall acquire a stake in the share capital of MorphoSys through the purchase from MorphoSys of new shares of MorphoSys in the form of American Depositary Shares ("**ADSs**"), subject to the terms of the Agreement and the further terms and conditions of this **EXHIBIT 16** ("**Purchase Agreement**"). "MorphoSys", for the purpose of this **EXHIBIT 16**, including its Annexes, shall mean MorphoSys AG only. In case of any conflicts or inconsistencies between the terms of the Agreement and this **EXHIBIT 16**, the terms and conditions of this **EXHIBIT 16** shall prevail with respect to the subject matter hereof. As at the Execution Date, the registered share capital of MorphoSys amounts to € 31,957,958, divided into 31,957,958 ordinary shares in bearer form with no par value and a notional value attributable to each share of €1.00 (the "**Existing Shares**"). All Existing Shares of MorphoSys are admitted to trading on the regulated market (*regulierter Markt*) and to the sub-segment of the regulated market with additional obligations arising from admission (Prime Standard) on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

B. MorphoSys is party to the Amended and Restated Deposit Agreement dated April 18, 2018, among MorphoSys, The Bank of New York Mellon, as depositary (the "**Depositary**") and the owners and holders of American Depositary Shares (the "**Deposit Agreement**"), pursuant to which the Depositary has issued ADSs representing one-quarter of an Existing Share. The ADSs are listed for quotation on the Nasdaq Global Market (the "**Nasdaq Market**").

C. The management board (*Vorstand*) of MorphoSys has been authorised, until 30 April 2022, to increase, with the consent of the supervisory board (*Aufsichtsrat*) of MorphoSys, the share capital of MorphoSys by up to € 2,915,977.00 (the "**Authorised Capital**") through the issuance of new no-par value bearer shares against cash contributions (the "**Authorisation**"). The management board of MorphoSys is authorised to exclude, with the consent of the supervisory board of MorphoSys, the subscription rights of the shareholders, *inter alia*, in case of a capital increase against contribution in

cash, if the issue price of the newly issued shares is not significantly lower than the market price of the Existing Shares prevailing at the time of issuance and the number of shares issued does not exceed 10% of the share capital of MorphoSys, neither at the time when the Authorisation has become effective nor when it is used.

D. The new shares of MorphoSys underlying the new ADSs to be purchased by COMPANY (the "**New ADSs**") shall be created by way of a capital increase against contribution in cash on the basis of the Authorisation and deposited with the Depositary who will deliver the New ADSs purchased by COMPANY to COMPANY. Each New ADS purchased by COMPANY will represent one-quarter of a New Share of MorphoSys.

1. ISSUE AND SUBSCRIPTION OF NEW SHARES

(a) Board Resolutions. To the extent permitted by law, the management board of MorphoSys shall, subject to the satisfaction of the conditions set forth in Section 9(b) hereof, within [***] Business Days after the Effective Date (the "**Capital Increase Resolution Date**") resolve on an increase of the share capital of MorphoSys pursuant to the Authorisation with exclusion of subscription rights of the existing shareholders (the "**Capital Increase**") through the issuance of the Final Number of New Shares against cash consideration at the Purchase Price per New Share for the Aggregate Purchase Price admitting the COMPANY, or at the COMPANY's written request received by MorphoSys within [***] Business Days after the Execution Date, the German credit institution selected by MorphoSys to act as settlement agent (the "**German Settlement Agent**") to subscribe for the New Shares acting in its own name but for the account of COMPANY (the "**Management Board Resolution**"; a draft of the resolution is attached hereto as **Annex 1**).

Immediately after passing the Management Board Resolution, the management board of MorphoSys shall, to the extent permitted by law, ask the supervisory board of MorphoSys to approve the Capital Increase under the Authorisation as well as the issue of the New Shares at the Aggregate Purchase Price as resolved by the Management Board (the "**Supervisory Board Resolution**", a draft of the resolution is attached hereto as **Annex 2**).

"Purchase Price" shall mean a USD amount per New Share [***].

"**Market Price**" shall mean the closing market price of the ADSs as quoted on the Nasdaq Stock Market.

"**New Shares**" shall mean new ordinary shares of MorphoSys in bearer form with no par value and a notional value attributable to each share of €1.00, which shall carry the same rights and obligations as the Existing Shares, except that they shall carry dividend rights only from and including the fiscal year of MorphoSys in which they have been issued.

[***]

"**Final Number**" shall mean such number of New Shares that results of the division of (a) USD 150,000,000 by (b) the Purchase Price rounded down to the next full New Share.

"**Aggregate Purchase Price"** shall mean the result of the multiplication of (a) the Final Number of New Shares with (b) the Purchase Price.

(b) Payment of Aggregate Purchase Price; Subscription of New Shares. COMPANY shall, subject to the satisfaction of the conditions set forth in Section 9(a), immediately upon receipt of copies of the Management Board Resolution and the Supervisory Board Resolution by telefax or pdf-document attached to an email (such date, the "**Subscription Date**") (i) effect payment of the Aggregate Purchase Price to an account of MorphoSys (the "**Capital Increase Account**") maintained with the German Settlement Agent as notified by MorphoSys to COMPANY in due time prior to subscription and (ii) subscribe for, or, if COMPANY appointed the German Settlement Agent as set forth in Section 1 (a), cause the German Settlement Agent, acting in its own name but for the account of COMPANY, to immediately subscribe for, the New Shares by way of executing and delivering to MorphoSys a subscription certificate (*Zeichnungsschein*) (the "**Subscription Certificate**") for the New Shares in the form attached as **Annex 3** hereto, duly signed in duplicate form, and (iii) upon credit of the Aggregate Purchase Price to the Capital Increase Account cause the German Settlement Agent to deliver to MorphoSys a bank certificate (*Einzahlungsbestätigung*) in the form attached as **Annex 4** hereto (the "**Bank Certificate**") confirming such credit.

(c) Registration of Capital Increase. Without undue delay (*unverzüglich*) upon receipt of the Subscription Certificate and Bank Certificate in accordance with Section 1 (b) above and provided the Management Board Resolution and the Supervisory Board Resolution have been passed in accordance with Section 1 (a) above, MorphoSys shall use its [***] efforts to effect the registration of the Capital Increase in the commercial register.

(d) Notification of German Settlement Agent. Without undue delay (*unverzüglich*) upon the registration of the Capital Increase with the commercial register (the time of such registration referred to as the "**Registration Time**"), MorphoSys shall, by telefax or pdf-document attached to an email, with two original certified copies to follow promptly by courier, furnish the German Settlement Agent with a certified copy of the registration notice of the commercial register, a certified chronological excerpt from the commercial register and a certified copy of the articles of association of MorphoSys, each evidencing such Capital Increase.

(e) Delivery of Global Note. Without undue delay after Registration Time, MorphoSys shall deliver to the German Settlement Agent one global share certificate in the form set forth as **Annex 5** hereto representing the New Shares. COMPANY shall cause the German Settlement Agent, acting in its own name, but for the account of COMPANY, to deliver such global share certificate to Clearstream Banking AG, Frankfurt am Main ("**Clearstream**"), and procure the New Shares to be credited to such securities account with a participant of Clearstream as the Depositary may designate to enable the delivery by the Depositary of the New ADSs in respect of the New Shares to COMPANY, as the case may be, by way of book-entry.

2. DELIVERY OF NEW ADSs

Without undue delay after confirmation of receipt of the New Shares by the Depositary, MorphoSys shall instruct the Depositary to deliver four ADSs per New Share representing such New Share free of payment to a securities account of COMPANY as notified by COMPANY to MorphoSys or as the Depositary may otherwise require in due time prior to Registration Time. COMPANY shall take all steps necessary required by it to effect the delivery of the ADSs.

3. REPRESENTATIONS REGARDING DELIVERY OF ADSs

COMPANY represents and warrants to MorphoSys that:

(a) COMPANY is acquiring the New ADSs for his own account as principal, not as a nominee or agent, for investment purposes only, and not with a view to, or for, resale, distribution or fractionalization thereof in whole or in part and no other person has a direct or indirect beneficial interest in the amount of ADSs COMPANY is acquiring. Further, COMPANY does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to the New ADSs COMPANY is acquiring.

(b) COMPANY understands that the New ADSs have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "**Securities Act**"), and are being sold in reliance upon a specific exemption from the registration provisions of the Securities Act. COMPANY understands that the New ADSs are "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, COMPANY must hold the New ADSs indefinitely unless they are registered with the U.S. Securities and Exchange Commission and qualified by state authorities, or an exemption from such registration and qualification requirements is available. COMPANY acknowledges that MorphoSys has no obligation to register or qualify the ADSs.

(c) For so long as the New ADSs are "restricted securities" under the Securities Act the New ADSs will not be fungible with all other ADSs issued pursuant to the Deposit Agreement and will be subject to the following legend restricting transfer or surrender for the purpose of withdrawal:

> "THE AMERICAN DEPOSITARY SHARES TO WHICH THIS CONFIRMATION RELATES AND THE ORDINARY SHARES (THE "SHARES") OF MORPHOSYS AG ("MORPHOSYS") REPRESENTED THEREBY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 OR IN A TRANSACTION THAT IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THAT ACT, AS CONFIRMED BY AN OPINION OF COUNSEL THAT IS SATISFACTORY TO MORPHOSYS AND THE DEPOSITARY, AND IN ACCORDANCE WITH ANY OTHER APPLICABLE SECURITIES LAWS."

(d) So long as the above restriction applies, the New ADSs will not be eligible for settlement through the Depositary Trust Corporation.

4. REPRESENTATIONS OF MORPHOSYS

MorphoSys represents and warrants to COMPANY each of the matters set forth in **Annex 6** hereto.

5. IMPLEMENTATION OF CAPITAL INCREASE; CONSEQUENCES IN CASE OF FAILURE

If the registration of the Capital Increase with the commercial register has not been effected until [***] months after the Effective Date, 12:00 (Frankfurt time), at the election of COMPANY, (i) the Parties shall reinitiate such efforts for an additional [***]-month period, or (ii) the Subscription Certificate for the New Shares shall, in accordance with its terms, expire and MorphoSys shall without undue delay (*unverzüglich*) repay the Aggregate Purchase Price. If COMPANY elects the option under (i) above, and the Capital Increase has not been effected within such additional [***]-month period, then the consequence under (ii) applies. Upon repayment to COMPANY of the foregoing amount, the Parties shall have no further obligation to each other with respect to the matters set forth in Section 8.1(b) of the Collaboration Agreement and this Purchase Agreement.

6. LISTING

MorphoSys undertakes to cause, without undue delay after Registration Time, the New Shares to be admitted to trading on the regulated market (*Regulierter Markt*) segment of the Frankfurt Stock Exchange and the sub-segment thereof with additional post-admission obligations (Prime Standard), or any successor thereof, and to use [***] efforts to maintain such listing.

7. REMOVAL OF RESTRICTIVE LEGENDS

MorphoSys agrees that at such time as the New ADSs cease to be “restricted securities” such that any legend of the type set forth in Section 3(c) is no longer required, MorphoSys shall, no later than [***] Business Days following notice by

COMPANY, use commercially reasonable efforts to cause the Depositary to remove any such legend (including by causing the delivery of any required instructions or legal opinions) and to facilitate any transfers of such New ADSs to an unrestricted depositary facility.

8. LOCK-UP

(a) Lock-up Period. COMPANY hereby undertakes to MorphoSys that for a period of eighteen (18) months following Registration Time (the "**Lock-Up Period**"), it will not,

i. sell, transfer, pledge, encumber or otherwise dispose of (*verfügen über*) (including the granting of any option over or the creation of any form of trust relationship in respect of) any New Shares or New ADSs;

ii. enter into any agreement or transaction in respect of any voting rights or other rights attaching to any New Shares or New ADSs;

iii. enter into any transaction (including derivative transactions) or carry out any other action that would be the economic equivalent of any of the above;

in each case without the prior written consent of the management board of MorphoSys. The foregoing restrictions shall not apply to: (A) any transfers to COMPANY's Affiliates, (B) any transfers made following termination of the Collaboration Agreement pursuant to Section 17.2(a) thereof where MorphoSys is the Breaching Party and (C) any transfers in connection with or following a MorphoSys Change of Control; provided that in each transfer pursuant to clause (A), the transferee agrees to be bound in writing by the terms of this Purchase Agreement prior to such transfer.

(b) Restriction on Sales following the Lock-Up Period. Following the end of the Lock-Up Period, COMPANY may only transfer, sell or otherwise dispose of, in any three (3)-month period, 25% of the aggregate number of New Shares or New ADSs subscribed to herein; provided that, notwithstanding the foregoing limitation, COMPANY may sell up to 50% of the aggregate number of New Shares or New ADSs subscribed to herein following the end of the Lock-Up Period in a sale to a single purchaser (but in the event that any such sale to a single purchaser exceeds 25% of the New Shares or New ADSs subscribed to herein, the number of New Shares or New ADSs that may be sold in any other transactions within three (3) months of such sale to a single purchaser shall be reduced by such excess amount in order to ensure that sales within any three (3)-month period from the first sale to a single

purchaser do not exceed in total 50% of the New Shares or New ADSs subscribed to herein (including the New Shares or New ADSs sold in the first sale to a single purchaser)). In the event COMPANY intends to sell more than 25% of the aggregate number of New Shares or New ADSs subscribed to herein in a single transaction, COMPANY shall notify and consult with MorphoSys about offering to sell such New Shares or New ADSs to certain investors of MorphoSys identified by MorphoSys.

9. CONDITIONS TO SUBSCRIPTION

(a) COMPANY Conditions. COMPANY's obligations pursuant to Section 1(b) are subject to the fulfillment of the following conditions (unless waived in writing by COMPANY):

(i) Representations and Warranties. The representations and warranties made by MorphoSys in Section 13.1 of the Agreement and Section 4 hereof shall be true and correct as of the Execution Date and as of the Subscription Date as though made on and as of the Subscription Date, except to the extent such representations and warranties are specifically made as of a particular date, in which case such representations and warranties shall be true and correct as of such date; provided, however, that for purposes of this Section 9(a), all such representations and warranties of MorphoSys (other than Sections 1.1 and 1.2 in **Annex 6** hereto) shall be deemed to be true and correct for purposes of this Section 9(a) unless the failure or failures of such representations and warranties to be so true and correct, without regard to any "material", "materiality" or "Material Adverse Effect" qualifiers set forth therein, constitute a Material Adverse Effect.

For purposes of this Purchase Agreement, "**Material Adverse Effect**" means any change, event or occurrence (each, an "Effect") that, individually or when taken together with all other Effects that have occurred prior to the date of determination of the occurrence of the Material Adverse Event, has had a material adverse effect on the business, properties, management, financial position, stockholders' equity or results of operations of MorphoSys and its

subsidiaries taken as a whole or on the performance by MorphoSys of its obligations under this Purchase Agreement or the Agreement, except to the extent that any such Effect results from or arises out of: (A) changes in conditions in the United States, German or global economy or capital or financial markets generally, including changes in interest or exchange rates, (B) changes in general political, economic or business conditions in the United States and Germany thereof, (C) acts of war, sabotage or terrorism, or any escalation or worsening of any such acts of war, sabotage or terrorism, (D) earthquakes, hurricanes, floods or other natural disasters, (E) changes or prospective changes in any applicable Laws or regulations or applicable accounting regulations or principles or interpretation thereof or (F) the execution, delivery and announcement of this Agreement and any actions contemplated hereby or thereby, provided, however, that the Effects excluded in clauses (A), (B), (C) and (D) shall only be excluded to the extent such Effects are not disproportionately adverse on MorphoSys and its subsidiaries as compared to other companies operating in MorphoSys's industry.

(ii) Covenants. All covenants and agreements contained in this Purchase Agreement to be performed or complied with by MorphoSys on or prior to the Subscription Date shall have been performed or complied with in all material respects.

(iii) No Material Adverse Effect. From and after the Execution Date until the Subscription Date, there shall have occurred no event that has caused a Material Adverse Effect.

(b) MorphoSys's Conditions. MorphoSys's obligation to issue and sell the New ADSs is subject to the fulfillment of the following conditions (unless waived in writing by MorphoSys):

(i) Representations and Warranties. The representations and warranties made by COMPANY in Section 3 hereof and Section 13.1 of the Agreement shall be true and correct as of the Execution Date and as of the Subscription Date as though made on and as of the Subscription Date.

Annex 1 to EXHIBIT 16

Management Board Resolution

Niederschrift über eine Beschlussfassung

des Vorstandes der MorphoSys AG ("Gesellschaft")

vom [●] 2020

I.

Aufgrund der von der Hauptversammlung am 17. Mai 2017 beschlossenen Ermächtigung ist der Vorstand nach § 5 Abs. 6 der Satzung der Gesellschaft ermächtigt, mit Zustimmung des Aufsichtsrats bis zum 30. April 2022 (einschließlich) das Grundkapital der Gesellschaft gegen Bareinlagen einmalig oder mehrmalig um bis zu € 2.915.977,00 durch Ausgabe von bis zu 2.915.977 neuen und auf den Inhaber lautende Stückaktien zu erhöhen (im Folgenden "**Genehmigtes Kapital 2017-I**").

Zugleich wurde der Vorstand ermächtigt, mit Zustimmung des Aufsichtsrats das Bezugsrecht der Aktionäre unter anderem auszuschließen, wenn die neuen Aktien zu einem Ausgabebetrag ausgegeben werden, der den Börsenpreis von Aktien gleicher Ausstattung nicht wesentlich unterschreitet und die gemäß oder in entsprechender Anwendung des § 186 Abs. 3 Satz 4 AktG gegen Bareinlagen unter Ausschluss des Bezugsrechts während der Laufzeit dieser Ermächtigung ausgegebenen Aktien insgesamt 10 % des Grundkapitals nicht überschreiten, und zwar weder zum Zeitpunkt des Wirksamwerdens noch zum Zeitpunkt der Ausübung dieser Ermächtigung.

Weiter wurde der Vorstand ermächtigt, mit Zustimmung des Aufsichtsrats die weiteren Einzelheiten der Kapitalerhöhung und ihrer Durchführung festzulegen.

English convenience translation

Minutes of a resolution of the

Management Board of MorphoSys AG ("Company")

of [●], 2020

I.

Based on the authorization resolved by the general meeting on May 17, 2017 and § 5(6) of the articles of the Company, the management board, with the approval of the supervisory board, is authorized through and including April 30, 2022 to increase the registered share capital of the Company against cash contributions once or several times by up to € 2,915,977.00 through the issuance of up to 2,915,977 new no par-value bearer shares (defined as "**Authorized Capital 2017-I**").

At the same time, the management board was authorized to exclude the subscription rights of the shareholders with the approval of the supervisory board, inter alia, if the issue price for the new shares is not significantly below the stock exchange price of shares conferring identical rights, and the shares issued pursuant to Section 186 (3) sentence 4 German Stock Corporation Act (either applied directly or accordingly) against cash consideration and with exclusion of subscription rights during the term of this authorisation do not exceed, in total, 10 % of the registered share capital neither at the time when the authorization becomes effective nor at the time when it is used.

Furthermore, the management board was authorized to determine the further details of the capital increase and its implementation with the approval of the supervisory board.

Die Gesellschaft hat mit [COMPANY] eine Kollaboration zu [●] vereinbart. Im Zusammenhang mit dieser Kollaboration und zur Stärkung der künftigen strategischen Zusammenarbeit möchte [COMPANY] ein Eigenkapitalinvestment bei der Gesellschaft erbringen. [COMPANY] wird von der Gesellschaft [●] neue auf den Inhaber lautende Stückaktien in Form von American Depositary Shares ("**ADS**"), die jeweils ein Viertel einer auf den Inhaber lautenden Stückaktie der Gesellschaft vertreten, erwerben.

Zur Schaffung der neuen Aktien der Gesellschaft die den ADS unterliegen, werden die nachfolgenden Beschlüsse gefasst.

II.

Der Vorstand hat nach ordnungsgemäßer Beratung einstimmig entschieden, dass eine Ausgabe neuer Aktien an [COMPANY] aus dem Genehmigten Kapital 2017-I im Interesse der Gesellschaft und ihrer Aktionäre liegt, um die langfristigen Ziele der Gesellschaft zu erreichen. Demgemäß hat der Vorstand am [●] [To be completed: Procedure, e.g. physical meeting, conference call etc.] unter dem Vorbehalt der Zustimmung des Aufsichtsrats einstimmig wie folgt entschieden:

1. Unter [teilweiser] Ausnutzung des Genehmigten Kapitals 2017-I (§ 5 Abs. 6 der Satzung) wird das eingetragene Grundkapital der Gesellschaft von derzeit € [31.957.958,00] um € [●] auf € [●] gegen Bareinlage durch Ausgabe von [●] neuen auf den Inhaber lautende Stückaktien ("**Neue Aktien**") erhöht ("**Kapitalerhöhung**").

2. [Die Neuen Aktien sind ab dem am 1. Januar 2020 beginnenden Geschäftsjahr voll gewinnanteilsberechtigt.]

The Company has agreed on a collaboration with [COMPANY] regarding [●]. In the context of this collaboration and in order to further strengthen the future strategic collaboration, [●] wishes to make an equity investment in the Company. [COMPANY] shall purchase from the Company [●] new no par-value bearer shares in the form of American Depositary Shares ("**ADS**"), each representing one quarter of a no par-value bearer share of the Company.

The following resolutions are adopted for the creation of the new shares of the Company underlying the ADS.

II.

After due consideration, the management board has unanimously decided that the issuance of new shares from the Authorised Capital 2017-I to [COMPANY] is in the best interest of the Company and its shareholders to achieve the Company's long-term goals. Therefore, on [●] the management board, subject to the approval by the supervisory board, [To be completed: Procedure, e.g. physical meeting, conference call etc.] unanimously decided by way of passing a resolution by as follows:

1. By [partially] utilizing the Authorized Capital 2017-I (§ 5(6) of the articles of the Company), the registered share capital of the Company from currently € [31,957,958.00] is increased by € [●] to € [●] against cash contributions by issuance of [●] new no par-value bearer shares (the "**New Shares**") (the "**Capital Increase**").

2. [The New Shares carry full dividend rights as of the financial year commenced on January 1, 2020.]

3. Der Ausgabebetrag beträgt € [●] je Neuer Aktie. Der Gesamtausgabebetrag für die insgesamt [●] Neuen Aktien beläuft sich damit auf € [●].

4. Das gesetzliche Bezugsrecht der Aktionäre der Gesellschaft wird auf der Grundlage der Ermächtigung in § 5 Abs. 6 der Satzung ausgeschlossen.

5. Zur Zeichnung der Neuen Aktien in eigenem Namen aber für Rechnung von [COMPANY] wird [German Subscription Agent] zugelassen.

6. Die Kosten der Kapitalerhöhung werden von der Gesellschaft getragen.

III.

Diese Beschlüsse bedürfen der Zustimmung des Aufsichtsrats der Gesellschaft.

IV.

Als Vorsitzender des Vorstands stelle ich fest:

1. Sämtliche Mitglieder des Vorstands haben unter Verzicht auf alle durch Gesetz oder Satzung vorgeschriebenen Form- und Fristerfordernisse für das Fassen von Vorstandsbeschlüssen an der Beschlussfassung teilgenommen.

2. Sämtliche Mitglieder des Vorstands haben den unter II. genannten Beschlussvorschlägen zugestimmt.

3. Damit wurden die Beschlüsse mit dem unter II. genannten Wortlaut gefasst.

Allein die deutsche Fassung dieses Beschlusses ist rechtlich bindend.

3. The issue price is € [●] per New Share. The total issue price for the [●] New Shares amounts to € [●].

4. Pursuant to the authorization in § 5(6) of the articles of the Company, the subscription rights of the Company's shareholders are excluded.

5. The New Shares will be subscribed for by [German Subscription Agent], acting in its own name but for the account of [COMPANY].

6. The costs of the Capital Increase will be borne by the Company.

III.

These resolutions require the consent of the Company's supervisory board.

IV.

As chairman of the management board, I hereby declare the following:

1. All management board members took part in the adoption of the resolutions and waived all requirements with regard to notice and form, whether imposed by law or by the articles of association, for the passing of management board resolutions.

2. All management board members have approved the proposed resolutions under II. above.

3. Therefore, the resolutions were adopted with the wording stated under II. above.

The German version of this resolution is legally binding only.

CONFIDENTIAL

Planegg, den / this . [●] 2020

Dr. Jean-Paul Kress
Vorstandsvorsitzender

CONFIDENTIAL

Annex 2 to EXHIBIT 16

Supervisory Board Resolution

Niederschrift über eine Beschlussfassung

des Aufsichtsrats der MorphoSys AG ("Gesellschaft")

vom [●] 2020

I.

Aufgrund der von der Hauptversammlung am 17. Mai 2017 beschlossenen Ermächtigung und § 5 Abs. 6 der Satzung der Gesellschaft hat der Vorstand der Gesellschaft – unter dem Vorbehalt der Zustimmung des Aufsichtsrats – am [●] 2020 den in der **Anlage** dieser Niederschrift beigefügten Beschluss über die Erhöhung des eingetragenen Grundkapitals von gegenwärtig € [31.957.958,00] um € [●] auf € [●] gegen Bareinlage durch Ausgabe von [●] neuen und auf den Inhaber lautenden Stückaktien mit einem anteiligen Betrag am Grundkapital von € [●] je Aktie ("**Neue Aktien**") zum Ausgabebetrag von € 1,00 je Neuer Aktie gefasst ("**Kapitalerhöhung**").

Das gesetzliche Bezugsrecht der Aktionäre wurde dabei auf der Grundlage der Ermächtigung in § 5 Abs. 6 der Satzung ausgeschlossen. Zur Zeichnung der Neuen Aktien wurde [German Subscription Agent] zugelassen.

II.

Der Aufsichtsrat hat am [●] 2020 im Wege des Umlaufbeschlussverfahrens per Email (§ 10 Abs. 2 der Satzung) in Kenntnis des ihm als Anlage zu diesen Beschlussvorschlägen übermittelten Vorstandsbeschlusses vom [●] 2020 über folgende Beschlussvorschläge abgestimmt:

1. Der Aufsichtsrat stimmt dem dieser Niederschrift als **Anlage** beigefügten Beschluss des Vorstands vom [●] 2020 vollumfänglich zu.

English convenience translation

Minutes of a resolution of the

Supervisory Board of MorphoSys AG ("Company")

of [●], 2020

I.

Based on the authorization resolved by the general meeting on May 17, 2017 and § 5(6) of the articles of the Company, the management board of the Company, subject to the approval of the supervisory board, adopted on [●], 2020 the enclosed resolution (**Annex**) regarding the increase of the registered share capital of the Company against cash contributions from currently € [31,957,958.00] by € [●] to € [●] by issuance of [●] new no par-value bearer shares with a pro rata share in the share capital of € 1.00 per share (the "**New Shares**") at an issue price of € [●] per New Share ("**Capital Increase**").

The subscription rights of the Company's shareholders were excluded in accordance with the authorization in § 5(6) of the articles of the Company. It was further resolved that the New Shares shall be subscribed by [German Subscription Agent].

II.

On [●], 2020, the supervisory board, having full knowledge of the management board resolution of [●], 2020, which was forwarded to the supervisory board together with these resolution proposals, resolved by way of an email-vote (§ 10(2) of the articles) as follows:

1. The supervisory board approves the resolution of the management board of [●], 2020, the minutes of which are attached as **Annex** hereto, in full.

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2. Auf der Grundlage der Ermächtigung in § 5 Abs. 7 der Satzung wird die Satzung in § 5 Abs. 1, Abs. 2 und Abs. 6 in Anpassung an die Kapitalerhöhung aus dem Genehmigten Kapital 2017-I mit Wirkung vom Zeitpunkt der Eintragung der Durchführung der Kapitalerhöhung im Handelsregister wie folgt neu gefasst:

a) § 5 Abs. 1 der Satzung erhält folgende Fassung:

"(1) Das Grundkapital beträgt €[●]."

b) § 5 Abs. 2 der Satzung erhält folgende Fassung:

"(2) Das Grundkapital ist eingeteilt in [●] auf den Inhaber lautende nennwertlose Stückaktien."

c) Satz 1 von § 5 Abs. 6 der Satzung wird wie folgt angepasst:

"(1) Der Vorstand ist ermächtigt, mit Zustimmung des Aufsichtsrats bis zum 30. April 2022 (einschließlich) das Grundkapital der Gesellschaft gegen Bareinlagen einmalig oder mehrmalig um insgesamt bis zu [●] € durch Ausgabe von bis zu [●] neuen und auf den Inhaber lautende Stückaktien zu erhöhen (Genehmigtes Kapital 2017- I)."

d) Die übrigen Satzungsbestimmungen bleiben unverändert.

3. Die Mitglieder des Aufsichtsrats verzichten auf alle durch Gesetz und Satzung vorgeschriebenen Form- und Fristerfordernisse für das Fassen von Aufsichtsratsbeschlüssen in Bezug auf diese Beschlussfassung.

2. Based on the authorisation pursuant to § 5(7) of the articles of the Company, with effect as of the date of the registration with the commercial register of the execution of the Capital Increase from the Authorized Capital 2017-I, § 5(1), (2) and (6) of the articles shall be amended as follows:

a) § 5(1) of the articles is amended as follows:

"(1) The registered share capital amounts to €[●]."

b) § 5(2) of the articles is amended as follows:

"(2) The share capital is divided into [●] no-par-value bearer shares."

c) Sentence 1 of § 5(6) of the articles is amended as follows:

"(1) With the Supervisory Board´s consent, the Management Board is authorized to increase the Company's share capital by issuing a maximum of [●] new no-par value bearer shares against contribution in cash up to an amount of € [●] on one or several occasions until and including the date of April 30, 2022 (Authorized Capital 2017-I)."

d) The other provisions of the articles remain unchanged.

3. The supervisory board members waive all requirements with regard to notice and form, whether imposed by law or by the articles of association both with respect to this resolution.

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III.

Als Vorsitzender des Aufsichtsrats stelle ich fest:

1. Sämtliche Mitglieder des Aufsichtsrats haben unter Verzicht auf alle durch Gesetz oder Satzung vorgeschriebenen Form- und Fristerfordernisse für das Fassen von Aufsichtsratsbeschlüssen an der Beschlussfassung teilgenommen.

2. Sämtliche Mitglieder des Aufsichtsrats haben den unter II. genannten Beschlussvorschlägen zugestimmt.

3. Damit wurden die Beschlüsse mit dem unter II. genannten Wortlaut gefasst.

Allein die deutsche Fassung dieser Beschlüsse ist rechtlich bindend.

III.

As chairman of the supervisory board, I hereby declare the following:

1. All supervisory board members took part in the adoption of the resolutions and waived all requirements with regard to notice and form, whether imposed by law or by the articles of association, for the passing of supervisory board resolutions.

2. All supervisory board members have approved the resolution proposals stated under II. above.

3. Therefore, the resolutions were adopted with the wording stated under II. above.

Only the German version of this resolution is legally binding.

Certain identified information, marked by [***], has been excluded from the exhibit because it is both (i) not material and (ii) would likely cause competitive harm to the Company, if publicly disclosed.

EXECUTION VERSION **CONFIDENTIAL**

, den / this . [●] 2020

_____

Dr. Marc Cluzel
Aufsichtsratsvorsitzender

Anlage/Annex:

Beschluss des Vorstands vom . [●] 2020 (Kopie) / Resolution of the management board dated [●], 2020 (copy)

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Annex 3 to EXHIBIT 16

Subscription Certificate

Zeichnungsschein

Der Vorstand der MorphoSys AG, eingetragen im Handelsregister des Amtsgerichts München unter HRB 121023 (die „**Gesellschaft**“) ist auf Grund der am 17. Mai 2017 von der ordentlichen Hauptversammlung der Gesellschaft beschlossenen Ermächtigung nach § 5 Abs. (6) der Satzung der Gesellschaft ermächtigt, mit Zustimmung des Aufsichtsrats bis zum 30. April 2022 (einschließlich) das Grundkapital der Gesellschaft gegen Bareinlagen einmalig oder mehrmalig um bis zu € 2.915.977,00 durch Ausgabe von bis zu 2.915.977 neuen und auf den Inhaber lautenden Stückaktien zu erhöhen (Genehmigtes Kapital 2017-I).

Zugleich wurde der Vorstand ermächtigt, mit Zustimmung des Aufsichtsrats das Bezugsrecht der Aktionäre auszuschließen, wenn die neuen Aktien zu einem Ausgabebetrag ausgegeben werden, der den Börsenpreis von Aktien gleicher Ausstattung nicht wesentlich unterschreitet und die gemäß oder in entsprechender An-wendung des § 186 Abs. 3 Satz 4 AktG gegen Bareinlagen unter Ausschluss des Bezugsrechts während der Laufzeit dieser Ermächtigung ausgegebenen Aktien insgesamt 10% des Grundkapitals nicht überschreiten, und zwar weder zum Zeitpunkt des Wirksamwerdens noch zum Zeitpunkt der Ausübung dieser Ermächtigung. Weiter wurde der Vorstand ermächtigt, mit Zustimmung des Aufsichtsrats die weiteren Einzelheiten der Kapitalerhöhung und ihrer Durchführung festzulegen.

English Convenience Translation

Subscription Certificate

Based on the authorization resolved by the general meeting of MorphoSys AG registered in the commercial register of the local court of Munich under HRB 121023 (the “**Company**”) on May 17, 2017 and § 5(6) of the articles of the Company, the management board, with the approval of the supervisory board, is authorized through and including April 30, 2022 to increase the registered share capital of the Company against cash contributions once or several times by up to € 2,915,977.00 through the issuance of up to 2,915,977 new no par-value bearer shares (Authorized Capital 2017-I).

At the same time, the management board was authorized to exclude the sub-scription rights of the shareholders with the approval of the supervisory board, inter alia, if the issue price for the new shares is not significantly below the stock exchange price of shares conferring identical rights, and the shares issued pursuant to Section 186 (3) sentence 4 German Stock Corporation Act (either applied directly or accordingly) against cash consideration and with exclusion of subscription rights during the term of this authorisation do not exceed, in total, 10 % of the registered share capital neither at the time when the authorization be-comes effective nor at the time when it is used. Furthermore, the management board was authorized to determine the further details of the capital increase and its implementation with the approval of the supervisory board.

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Im Rahmen dieser Ermächtigung hat der Vorstand am [●]. 2020 mit Zustimmung des Aufsichtsrats vom [●]. 2020 beschlossen, unter [teilweiser] Ausnutzung des Genehmigten Kapitals 2017-I (§ 5 Abs. (6) der Satzung), das eingetragene Grundkapital der Gesellschaft von derzeit € [31.957.958,00] um € [●] auf € [●] gegen Bareinlage durch Ausgabe von [●] neuen auf den Inhaber lautenden Stückaktien mit einem anteiligen Betrag am Grundkapital von € 1,00 je Aktie mit voller Gewinnanteilsberechtigung ab dem am 1. Januar 2020 beginnenden Geschäftsjahr und unter Ausschluss des Bezugsrechts der Aktionäre zu erhöhen.

Die neuen Aktien werden jeweils zum Ausgabebetrag von € [●] je neuer Aktie ausgegeben.

Zur Zeichnung der [●] neuen Aktien zum Ausgabebetrag von € [●] je neuer Aktie wurde ausschließlich [German Subscription Agent] in eigenem Namen aber für Rechnung von [COMPANY] zugelassen.

Wir, die unterzeichnende [German Subscription Agent], zeichnen und übernehmen hiermit in eigenem Namen

[●] Stück
(in Worten:[●])

neue auf den Inhaber lautende Stückaktien der MorphoSys AG mit einem anteiligen Betrag am Grundkapital von € 1,00 je Aktie und mit voller Gewinnanteilsberechtigung ab dem am 1. Januar 2020 beginnenden Geschäftsjahr, gegen Bareinlagen zu einem Ausgabebetrag von € [●] je neuer Aktie und [COMPANY] zahlt auf diese Aktien den Ausgabebetrag in Höhe von rund € [●] je neuer Aktie und damit den gesamten Ausgabebetrag in Höhe von insgesamt

€ [●]
(in Worten: [●] Euro)

auf das bei [German Subscription Agent], zins- und provisionsfrei geführte Sonderkonto der Gesellschaft mit der Bezeichnung "[●]" ein.

Within this authorization and by [partially] utilizing the Authorized Capital 2017-I (§ 5(6) of the articles) the management board resolved on [●] 2020 with approval of the supervisory board on [●] 2020 to increase the registered share capital of the Company under exclusion of subscription rights of the Company's shareholders from currently € [31,957,958.00] by [●] € to € [●] against cash contribution by issuance of [●] new no par-value bearer shares with a notional value in the registered share capital of 1.00 € per share and carrying full dividend rights as of the financial year commenced on January 1, 2020.

The new shares shall be issued at the issue price of € [●] per new share.

The [●] new shares will be subscribed at the issue price of € [●] per new share exclusively by [German Subscription Agent], acting in its own name but for the account of [COMPANY].

We, the undersigned [German Subscription Agent], hereby subscribe to and assume in our own name

[●]
(in words [●])

new no par-value bearer shares of MorphoSys AG with a notional value in the registered share capital of 1.00 € per share and carrying full dividend rights as of the financial year commenced on January 1, 2020 against cash contribution at the issue price of € [●] per new share and [COMPANY] pays on these shares the issue price of € [●] per new share and thus the total issue price of

€ [●]
(in words:[●] Euro).

to the special account of the Company at [German Subscription Agent], free of interest and commis-sion with the name "[●]".

Die Zeichnung wird unverbindlich, wenn die Durchführung der Kapitalerhöhung nicht bis zum [*Insert: date [4] months after Effective Date*] (12:00 Uhr MEZ) in das Handelsregister der Gesellschaft eingetragen worden ist.

Die deutsche Fassung dieses Zeichnungsscheins ist alleine maßgebend.

The subscription will become null and void if the execution of the capital increase has not been registered with the commercial register of the Company until [*Insert: date [4] months after Effective Date*] (12:00 hrs CET).

The German version of this subscription certificate is solely decisive.

[●], den / this [●]

[●]

[*Name, function*]

[*Name, function*]

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Annex 4 to EXHIBIT 16

Bank Confirmation

[German Subscription Agent - letterhead]

1. Ausfertigung

Bestätigung

Gemäß §§ 203 Abs. 1. S. 1, 188 Abs. 2 i.V. mit §§ 36 Abs. 2, 36a Abs. 1, 37 Abs. 1 AktG

(doppelt ausgestellt)

Zur Vorlage beim Amtsgericht München – Handelsregister – bestätigen wir hiermit hinsichtlich der von dem Vorstand der Gesellschaft am [●] 2020 mit Zustimmung des Aufsichtsrats vom [●] 2020 beschlossenen Kapitalerhöhung über insgesamt € [●], dass wir heute der

MorphoSys AG
Planegg/Landkreis München

den vollen Ausgabebetrag von € [●] je neuer auf den Inhaber lautenden Stückaktie mit einem anteiligen Betrag am Grundkapital von € 1,00 je Aktie der von der [German Subscription Agent] gezeichneten Stück [●] neue Aktien, das sind insgesamt

€ [●]
(in Worten: Euro [●])

auf einem bei uns geführten zins- und provisionsfreien "[●]" der MorphoSys AG gutgeschrieben haben.

Wir versichern, dass der eingezahlte Betrag vorbehaltlich der Eintragung der Durchführung der Kapitalerhöhung in das Handelsregister endgültig zur freien Verfügung des Vorstandes der MorphoSys AG steht.

[●], den [●] 2020

[German Subscription Agent]
vertreten durch

[●] [●]

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Annex 5 to EXHIBIT 16

Global Share Certificate

MorphoSys AG
Planegg

WKN 663 200
ISIN DE0006632003
Ordnungsnummer 22

Globalurkunde

über

[●] auf den Inhaber lautende Stammaktien (Stückaktien)

Stückenummern [32.072.628] bis zu [●]

Der Inhaber dieser Globalurkunde ist mit [●] Stückaktien an der MorphoSys AG, Planegg, nach Maßgabe der Satzung als Aktionär beteiligt.

Die Anzahl der in dieser Globalurkunde verbrieften und begebenen Aktien ergibt sich aus der aktuellen EDV-basierten Depotdokumentation der Clearstream Banking AG, Frankfurt am Main

Diese Globalurkunde ist ausschließlich zur Verwahrung bei der Clearstream Banking AG, Frankfurt am Main, bestimmt.

Zu dieser Globalurkunde wurde kein Globalgewinnanteilschein ausgefertigt.

Die in dieser Globalurkunde verbrieften Stückaktien sind ab 1. Januar 2020 gewinnanteilsberechtigt.

Planegg, im [●] 2020

MorphoSys AG

Der Vorstand

Der Vorstand

CONFIDENTIAL

Annex 6 to EXHIBIT 16

Representations and Warranties of MorphoSys

MorphoSys hereby represents and warrants to COMPANY that:

1.1 **Valid Issuance of New Shares and New ADS**. MorphoSys has all requisite power and authority to issue and sell the New Shares and the New ADSs and to perform its obligations under and to carry out the other transactions contemplated by this Purchase Agreement. All of the New Shares and the New ADSs, when issued, delivered and paid for as contemplated herein, will have been duly authorized and will be validly issued, fully paid and non-assessable, free from any liens, encumbrances or restrictions on transfer, including pre-emptive rights, rights of first refusal or other similar rights, other than as arising pursuant to this Purchase Agreement, as a result of any action by COMPANY or under U.S. federal or state securities Laws.

1.2 **No stop order**. No stop order or suspension of trading of the Existing Shares or the ADSs has been imposed by the any Governmental Authority and remains in effect.

1.3 **No Conflicts**. The execution, delivery and performance of this Purchase Agreement, the issuance and sale of the New ADSs or the New Shares and the consummation of the transactions contemplated by this Purchase Agreement will not (i) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of MorphoSys pursuant to, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which MorphoSys is a party, by which MorphoSys is bound or to which any of the property or assets of MorphoSys is subject, (ii) result in any violation of the provisions of the organizational documents of MorphoSys or (iii) result in the violation of any law or statute or any judgment, order, rule or regulation of any court or arbitrator or governmental or regulatory authority having jurisdiction over MorphoSys or any of its subsidiaries, except, in the case of clauses (i) and (iii) above, for any such conflict, breach, violation or default that would not, individually or in the aggregate, have a Material Adverse Effect.

1.4 **No Governmental Authority or Third Party Consents**. To MorphoSys' Knowledge, no consent, approval, authorization, order, regulatory license, registration or qualification of or with any court or arbitrator or governmental or regulatory authority is required for the execution, delivery and performance by MorphoSys of this Purchase Agreement or the issuance and sale of the New ADSs or the New Shares, except (i) such filings as may be required to be made with the SEC and with any state blue sky or other U.S or foreign securities regulatory authority, which filings shall be made in a timely manner in accordance with all applicable Laws, (ii) as required pursuant to the HSR Act or under any other applicable competition, merger control, antitrust or similar Law of any jurisdiction, (iii) the registration of the capital increase in relation to the New Shares with the commercial register and (iv) the admission to trading and introduction to trading of the New Shares by the Frankfurt Stock Exchange.

1.5 **Litigation**. To MorphoSys' Knowledge, there are no legal, governmental or regulatory investigations, actions, suits or proceedings pending to which MorphoSys is a party or to which

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any property of MorphoSys is subject that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect; and no such investigations, actions, suits or proceedings are, to the Knowledge of MorphoSys, threatened or contemplated by any governmental or regulatory authority or others. For clarity, the aforementioned shall not cover proceedings before patent or trademark offices.

1.6 **Regulatory Licenses and Other Rights; Compliance with Laws**. MorphoSys and its subsidiaries, to MorphoSys' Knowledge, possess or are in the process of obtaining all material regulatory licenses, certificates, permits and other authorizations issued by, and have made all declarations and filings with, the appropriate federal, state, local or foreign governmental or regulatory authorities that are necessary for the ownership or lease of their respective properties or the conduct of their respective businesses as described in MorphoSys SEC Documents, except where the failure to possess or make the same would not, individually or in the aggregate, have a Material Adverse Effect; and except as described in MorphoSys SEC Documents and except where any revocation would not, individually or in the aggregate, have a Material Adverse Effect, neither MorphoSys nor any of its subsidiaries has received notice of any revocation or modification of any such regulatory license, certificate, permit or authorization or has any reason to believe that any such license, certificate, permit or authorization will not be renewed. MorphoSys and its subsidiaries are, and at all times since April 19, 2018, have been, to MorphoSys' Knowledge, in compliance in all material respects with all statutes, rules and regulations applicable to the ownership, packaging, processing, use, distribution, import, or export of any product manufactured or distributed by MorphoSys or its subsidiaries, except where such noncompliance would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

1.7 **MorphoSys SEC Documents; Financial Statements; Nasdaq Market**.

(a) Since April 19, 2018, MorphoSys has timely filed all required reports, schedules, forms, statements and other documents (including exhibits and all other information incorporated therein) required to be filed or furnished by it under the Securities Act and the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and any required amendments to any of the foregoing, with the SEC (the "**MorphoSys SEC Documents**"). As of their respective filing dates, each of the MorphoSys SEC Documents complied in all material respects with the requirements of the Securities Act, the Exchange Act and the rules and regulations of the SEC promulgated thereunder applicable to such MorphoSys SEC Documents, and no MorphoSys SEC Documents when filed, declared effective or mailed, as applicable, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) As of the Execution Date, there are no outstanding or unresolved comments in comment letters received from the SEC or its staff.

(c) The financial statements of MorphoSys filed with the SEC for the fiscal year ended December 31, 2018 and those it filed with the SEC for the quarterly periods ended March 31, 2019; June 30, 2019; and September 30, 2019 present fairly in all material respects the financial position of MorphoSys and its consolidated subsidiaries as of the dates indicated and the results of their operations and the changes in their cash flows for the periods specified; such financial statements have been prepared in conformity with IFRS applied on a consistent basis throughout the periods covered thereby, except as otherwise disclosed therein and, in

the case of unaudited, interim financial statements, subject to normal year-end audit adjustments and the exclusion of certain footnotes, and any supporting schedules included in MorphoSys SEC Documents present fairly the information required to be stated therein.

(d) The ADSs are listed on the Nasdaq Market, and MorphoSys has taken no action designed to, or which is likely to have the effect of, terminating the registration of the ADSs under the Exchange Act or delisting the ADSs from the Nasdaq Market. MorphoSys has not received any notification that, and has no Knowledge that, the SEC or the Nasdaq Market is contemplating terminating such listing or registration.

1.8 **Absence of Certain Changes**. Except as disclosed in MorphoSys SEC Documents, since September 30, 2019, there has not been any material change in the capital stock, short-term debt or long-term debt of MorphoSys or any of its subsidiaries, or any dividend or distribution of any kind declared, set aside for payment, paid or made by MorphoSys on any class of capital stock, or any change, event or development that has had or would reasonably be expected to have a Material Adverse Effect.

1.9 **Offering.** The offer, sale and issuance of the New ADSs to be issued in conformity with the terms of this Purchase Agreement constitute transactions which are exempt from the registration requirements of the Securities Act and from all applicable state registration or qualification requirements. Neither MorphoSys nor any person or entity acting on its behalf will take any action that would cause the loss of such exemption.

1.10 **No Integration**. MorphoSys has not, directly or through any agent, sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any security (as defined in the Securities Act), that is or will be integrated with the sale of the New ADSs in a manner that would require registration of the New ADSs under the Securities Act.

1.11 **No General Solicitation**. Neither MorphoSys nor any person acting on behalf of MorphoSys has offered or sold any of the New ADSs or the New Shares by any form of general solicitation or general advertising. MorphoSys has offered the New ADSs for sale only to COMPANY.

1.12 **Foreign Corrupt Practices**. To MorphoSys' Knowledge neither MorphoSys nor any agent or other person acting on behalf of MorphoSys, has, since April 19, 2018: (i) directly or indirectly used any funds for contributions, gifts, entertainment or other expenses related to foreign or domestic political activity which is unlawful in any material respect, (ii) made any payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds which is unlawful in any material respect, (iii) failed to disclose fully any contribution made by MorphoSys (or made by any person acting on its behalf of which MorphoSys is aware) which is in violation of law in any material respect or (iv) violated in any material respect any provision of the Foreign Corrupt Practices Act of 1977, as amended, or any applicable non-U.S. anti-bribery Law.

1.13 **Regulation M Compliance**. MorphoSys has not taken, directly or indirectly, any action designed to or that would reasonably be expected to cause or result in stabilization or manipulation of the price of the New ADSs to facilitate their sale or resale.

1.14 **Office of Foreign Assets Control**. Neither MorphoSys nor, to MorphoSys' Knowledge, any director, officer, agent, employee or Affiliate of MorphoSys is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department.

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EXHIBIT 17

TRANSITION PLAN DRAFT

[***]

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EXHIBIT 18

STATEMENT FOR COMPANY'S MEDIA RELEASES AND PUBLICATIONS

[***]

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EXHIBIT 19

DISCLOSURE SCHEDULE

[***]

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EXHIBIT 20
ADDITIONAL CAP RE OBLIGATION UNDER SECTION 14.1(B)(II)(3)(z)

[***]

Exhibit 8.1

Entity Name (Jurisdiction)

1. Lanthio Pharma B.V. (The Netherlands)

2. LanthioPep B.V. (The Netherlands)

3. MorphoSys US Inc. (USA)

Exhibit 12.1

Certification of the Chief Executive Officer

I, Dr. Jean-Paul Kress, certify that:

1. I have reviewed this Annual Report on Form 20-F of MorphoSys AG;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the Annual Report on Form 20-F that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 18, 2020

/s/ Dr. Jean-Paul Kress

Name: Dr. Jean-Paul Kress

Title: CEO and member of the Board of Management

Certification of the Chief Financial Officer

I, Jens Holstein, certify that:

1. I have reviewed this Annual Report on Form 20-F of MorphoSys AG;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the Annual Report on Form 20-F that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 18, 2020

/s/ Jens Holstein

Name: Jens Holstein

Title: CFO and member of the Board of Management

Exhibit 13.1

Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 20-F of MorphoSys AG for the fiscal year ended December 31, 2019 as filed with the SEC on the date hereof (the "Report"), Dr. Jean-Paul Kress, as CEO of the Company, and Jens Holstein, as CFO of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

/s/ Dr. Jean-Paul Kress
Name: Dr. Jean-Paul Kress
Title: CEO and member of the Board of Management
Date: March 18, 2020

/s/ Jens Holstein
Name: Jens Holstein
Title: CFO and member of the Board of Management
Date: March 18, 2020

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

This certification accompanies the Report pursuant to section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of section 18 of the Securities Exchange Act of 1934.

Exhibit 15.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-226422, 333-227692, 333-230869 and 333-234511) of MorphoSys AG of our report dated March 11, 2020 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 20-F.

Munich, Germany
March 18, 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

/s/ Stefano Mulas
Wirtschaftsprüfer
(German Public Auditor)

/s/ Holger Lutz
Wirtschaftsprüfer
(German Public Auditor)