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

The Management Board submits the following written report to the virtual Annual General Meeting of the Company convened for May 19, 2021, pursuant to section 203 para. 2 sentence 2 AktG in conjunction with section 186 para. 4 sentence 2 AktG on the cancellation of Authorized Capital 2020-I and the creation of a new Authorized Capital 2021-II with the authorization to exclude subscription rights as proposed for resolution under Agenda Item 7.

The existing Authorized Capital 2020-I pursuant to Article 5 para. 6 of the Company's Articles of Association, which was created in accordance with the resolution of the Annual General Meeting on May 27, 2020 under Agenda Item 10, has not yet been utilized. However, it is recommended that this capital be reauthorized due to the issue of convertible bonds in October 2020, which is the reason this matter is described in more detail below.

1. Report on the issue of convertible bonds

On October 13, 2020, the Company resolved to issue convertible bonds in the total amount of 325,000,000.00 € with an interest coupon of 0.625 % per annum and a regular term until October 16, 2025, based on the authorization granted by the Annual General Meeting on June 2, 2016 under Agenda Item 7. The convertible bonds were issued on October 16, 2020 and can be converted at a conversion price of 131.29 € per share, subject to an adjustment of the conversion price in accordance with the bond terms and conditions. The issue of the convertible bonds is based on Conditional Capital 2016-I, in accordance with Article 5 para. 6b of the Company's Articles of Association. The subscription rights of the Company's shareholders to subscribe to the convertible bonds have been excluded.

Pursuant to Article 5 para. 6 of the Company's Articles of Association, shares to be issued to service convertible bonds and/or bonds with warrants whose authorization bases exist at the time the authorization pursuant to Article 5 para. 6 of the Company's Articles of Association takes effect, shall be taken into account in calculating the shares issued with exclusion of subscription rights in capital increases against cash contributions, provided that convertible bonds and/or bonds with warrants have been issued with exclusion of shareholders' subscription rights. The convertible bonds were issued on October 16, 2020, excluding shareholders' subscription rights.

2. Former Authorized Capital 2020-I and rationale for new Authorized Capital 2021-II

The Management Board and the Supervisory Board propose to authorize the Management Board, with the Supervisory Board's consent, to issue new shares of the Company on the basis of a new Authorized Capital 2021-II, as the authorization to exclude subscription rights when issuing new shares under the previously existing Authorized Capital 2020-I is only partially available due to the issue of convertible bonds. In order to continue to give the Company the necessary flexibility, the new Authorized Capital 2021-II is to be created, which authorizes the Management Board of the Company, with the consent of the Supervisory Board, to increase the share capital of the Company on one or more occasions until and including the date of May 18, 2026 by up to a total of 3,289,004.00 € against cash contributions by issuing up to 3,289,004 new no-par value bearer shares. All conditional and authorized capital of the Company, including the further resolutions proposed in this connection to the Annual General Meeting on May 19, 2021 and the amount of Authorized Capital 2021-II of up to 3,289,004.00 €, and the corresponding number of up to 3,289,004 new shares, together correspond to a proportion of 50 % of the current share capital.

3. New Authorized Capital 2021-II and related advantages for the Company

The proposed authorization to issue new shares from Authorized Capital 2021-II is intended to enable the Management Board, with the Supervisory Board's consent, to respond flexibly to financing requirements in connection with the implementation of strategic decisions. Particularly in the current economic situation and in the capital-intensive field of biotechnology and drug development, a fast and flexible instrument for financing is necessary and in the interest of the Company and its shareholders. It shall continue to be possible for the Management Board, with the Supervisory Board's consent, to raise new equity for the Company at any time. Such an advance resolution is common practice both nationally and internationally.

To address these needs, a new Authorized Capital 2021-II shall be created. The scope of the existing Authorized Capital 2020-I is no longer sufficient for this purpose. The new Authorized Capital 2021-II is intended to continue to enable the Management Board, with the Supervisory

Board's consent and within the framework of the statutory requirements under section 202 para. 3 AktG, to have shares of the Company at its disposal in a flexible manner.

4. Exclusion of subscription rights

The proposed resolution provides for an authorization to exclude shareholders' subscription rights, which generally exist when authorized capital is utilized, for certain purposes listed in detail in the proposed resolution:

a) The exclusion of shareholders' subscription rights is possible in accordance with subsection a) aa) of Agenda Item 7 in order to avoid fractional amounts. The authorization to exclude subscription rights for the utilization of fractional shares is necessary in order to be able to present a practicable subscription ratio in all cases in the event of a capital increase and therefore only serves to enable the utilization of the authorized capital in rounded numbers. Fractional amounts arise when the subscription ratio or the amount of the capital increase does not allow for all new shares to be distributed equally among the shareholders. Without this authorization, the technical implementation of the capital increase would be made more difficult in such cases. The costs of trading in subscription rights for the share fractions would be disproportionate to the benefit for the shareholders. The new shares free of subscription rights that result from the exclusion of shareholders' subscription rights for the fractional shares will be sold on the stock exchange (if possible) or in some other manner that is best for the Company. The possible dilution effect is low due to the restriction to fractional shares.

b) In addition, with the consent of the Supervisory Board, the Management Board shall be authorized, pursuant to a) bb) of Agenda Item 7, to exclude subscription rights in accordance with section 186 para. 3 sentence 4 AktG in the amount of the entire new Authorized Capital 2021-II, provided the issue price of the new shares is not significantly lower than the market price of shares of the same class already listed. This exclusion of subscription rights provided for by law enables the management to take advantage of favorable stock market situations at short notice and, by setting the price close to the market price, to achieve the highest possible issue price and thus the greatest possible strengthening of the Company's equity. Experience has shown that such a capital increase leads to a higher inflow of funds than a comparable capital increase with shareholder subscription rights because faster action can be taken. It is therefore in the well-understood interests of the Company and the shareholders. This however results in a reduction in the relative participation quota and the relative share of voting rights of the existing shareholders. Shareholders wishing to maintain their relative shareholding and relative voting rights have the option of acquiring the necessary number of shares on the stock exchange. The amount of the new Authorized Capital 2021-I complies with the statutory requirements of section 186 para. 3 sentence 4 AktG, according to which the exclusion of subscription rights is permissible if the capital increase against cash contributions does not exceed 10 % of the share capital, either at the time this authorization takes effect or at the time it is exercised, and the issue price is not significantly lower than the stock market price. Other capital measures which also provide for the exclusion of subscription rights in accordance with or by mutatis mutandis application of section 186 para. 3 sentence 4 AktG shall be taken into account unless the Annual General Meeting again resolves a new authorization to exclude shareholders' subscription rights in accordance with section 186 para. 3 sentence 4 AktG.

The total number of shares issued on the basis of the above authorizations with the exclusion of shareholder subscription rights for capital increases against cash contributions and including the deductions listed below, may not exceed 10 % of the share capital calculated either at the time these authorizations take effect or at the time they are exercised, based on whichever amount is lower. The 10 % limit shall include shares sold or issued or to be issued with exclusion of subscription rights under other authorizations expressly mentioned. The aforementioned 10 % limit shall include (i) treasury shares sold with the exclusion of subscription rights after these authorizations become effective, (ii) shares issued on the basis of other authorized capital with the exclusion of subscription rights during the period in which these authorizations are in effect, and (iii) shares to be issued to service convertible bonds and/or bonds with warrants, insofar as the convertible bonds and/or bonds with warrants have been issued with the exclusion of shareholders' subscription rights while these authorizations are in effect but in respect of items (i), (ii) and/or (iii) in each case only insofar as the shares are not used to service claims by members of the Management Board and/or employees under employee participation programs.

The maximum limit reduced in accordance with the above sentences of this paragraph shall be increased again when a new authorization to exclude shareholders' subscription rights resolved by the Annual General Meeting takes effect in accordance with section 186 para. 3 sentence 4 AktG after the reduction, in the amount of the new authorization, up to a maximum of 10 % of the share capital in accordance with the requirements of sentence 1 of this paragraph.

This capital limit restricts the total scope of an issue of shares from authorized and conditional capital without subscription rights and, in addition, of a sale of treasury shares excluding subscription rights. This additionally provides shareholders with protection against a dilution of their shareholding. However, shares used to service claims of board members and/or employees of the Company and/or its affiliated companies under employee participation programs and issued without subscription rights are not subject to deductions, as the dilutive effect for shareholders is low.

The maximum exclusion of subscription rights on the basis of Authorized Capital 2021-II is 10 % of the Company's share capital.

Having weighed all the above circumstances, the Management Board and the Supervisory Board consider the exclusion of subscription rights in the above cases to be objectively justified and appropriate for the reasons stated, also when taking into account the detrimental effects of dilution for the shareholders.

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

Planegg, March 26, 2021

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The Management Board

Jean-Paul Kress, M.D. Chief Executive Officer	Sung Lee Chief Financial Officer
Malte Peters, M.D. Chief Research and Development Officer	Roland Wandeler, Ph.D. Chief Operating Officer