

## Corporate Governance Report

MorphoSys has always given responsible and transparent corporate governance a high priority, continually aiming to enhance value on a sustainable basis. Corporate governance is a central issue for all areas of the MorphoSys Group.

The Management Board - on behalf of itself and the Supervisory Board - reports in the following document on corporate governance at MorphoSys in accordance with section 3.10 of the German Corporate Governance Code.

### CORPORATE GOVERNANCE ON MORPHOSYS' WEBSITE

Continually updated information regarding corporate governance\* can be found at [www.morphosys.com](http://www.morphosys.com)

### GERMAN CORPORATE GOVERNANCE CODE

The aim of the German Corporate Governance Code is to make Germany's corporate governance rules transparent for both national and international investors, thus strengthening confidence in the management of German corporations. On June 14, 2007, the German Corporate Governance Code was amended by resolution of the Government Commission charged with its administration. The revised form affects mainly the issues of severance payments for management board members and the supervisory board nomination committee.

### CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

Recently in 2007, MorphoSys Group Board of Management and Supervisory Board again addressed the question of code compliance, particularly in light of the new recommendations issued on June 14. The resulting Declaration of Conformity was published in December 2007 and posted on MorphoSys's website along with previous declarations.

Since 2003, MorphoSys has published an extensive Corporate Governance Report each year, including the *Remuneration Report\**, which discloses the compensation of the Management Board and the Supervisory Board.

### DECLARATION OF CONFORMITY

At the meeting on December 12, 2007, the Management Board and the Supervisory Board approved the following Declaration of Compliance pursuant to sec. 161 of the German Stock Corporation Act (AktG):



\* MORE INFORMATION AT  
[WWW.MORPHOSYS.COM](http://WWW.MORPHOSYS.COM)



\* SEE PAGE 57

MorphoSys AG complies and will comply with the recommendations of the German Corporate Governance Code – in the version of June 14, 2007 – with the following exceptions:

- The stock option program for the Board of Management does not provide a cap for unforeseen developments within the meaning of Code Sec. 4.2.3, since the reasonableness of the amount of stock options for the Board of Management has already been considered at the time of the grant.
- The present D&O insurance policy at MorphoSys AG includes a deductible for Management and Supervisory Board members (Code sec. 3.8, para. 2), the magnitude of which however, may be at a level which does not comply with the requirements of the German Corporate Governance Code.

With these two exceptions, MorphoSys AG has complied with the German Corporate Governance Code in the time period since its Declaration of Compliance of December 2006.

Martinsried/Planegg, December 12th 2007  
MorphoSys AG

#### FOR THE MANAGEMENT BOARD

Dr. Simon Moroney	Dave Lemus
Chief Executive Officer	Chief Financial Officer

Dr. Marlies Sproll  
Chief Scientific Officer

#### FOR THE SUPERVISORY BOARD

Dr. Gerald Möller  
Chairman

#### TWO-TIER BOARD SYSTEM: MANAGEMENT AND SUPERVISORY BOARDS

The two-tier system, required by the German Stock Corporation Act, provides a strict separation of management and supervision. The responsibilities of both boards are clearly defined by the law, the articles of association and the terms of reference. The Boards work closely together in the interest of the Company; their joint goal is to increase the shareholder value on a sustainable basis.

#### MANAGEMENT BOARD

The Management Board of MorphoSys AG consists of three members and has one chairman.

Terms of reference regulate the allocation of areas of responsibility and the cooperation within the Management Board.

- Dr. Simon E. Moroney, Chief Executive Officer, is responsible for the business segment AbD – Antibodies Direct, Business Development, Intellectual Property and Licensing as well as Human Resources.
- Mr. Dave Lemus, Chief Financial Officer, is responsible for Controlling and Accounting, Corporate Development, Treasury, Corporate Legal, Corporate Communications and Investor Relations as well as Technical Operations including IT.
- Dr. Marlies Sproll, Chief Scientific Officer, is responsible for Research and Development as well as Alliance Management.

The Management Board members have no additional mandates concerning the supervisory boards of other publicly listed companies. Dr. Moroney acts as an advisor for Complex Biosystems GmbH, Heidelberg, Germany and became in 2007 a member of the Supervisory Board of ProtAffin, Graz, Austria. Mr. Lemus was elected and serves presently as Treasurer of the Munich International School. In 2007, Dr. Sproll was elected as a member of the Board of Bio Deutschland e.V. All positions were approved by the Supervisory Board.

## SUPERVISORY BOARD

The role of the 6-member Supervisory Board is to oversee and advise the Board of Management. The current Supervisory Board consists of professionally qualified members, representing the Company's shareholders. Pursuant to its rules of procedures, and to fulfil its duties, the Supervisory Board has formed the following Committees:

### COMPOSITION OF THE SUPERVISORY BOARD COMMITTEES

	END OF TERM	MEMBERSHIP IN THE FOLLOWING COMMITTEES	
		AUDIT COMMITTEE	REMUNERATION AND NOMINATION COMMITTEE
Dr. Gerald Möller, Chairman	2008		X (Chairman)
Prof. Dr. Jürgen Drews, Deputy Chairman	2011		X
Dr. Walter Blättler <sup>1</sup>	2011		
Dr. Daniel Camus	2008	X	
Dr. Metin Colpan	2008		X
Prof. Dr. Andreas Plückthun <sup>2</sup>	-		
Dr. Geoffrey N. Vernon	2008	X (Chairman)	

<sup>1</sup> Entered as per May 16, 2007

<sup>2</sup> Retired as per May 16, 2007

Information about additional mandates held by members of the Supervisory Board in supervisory bodies of other companies and detailed information on the work of the Supervisory Board is contained under the chapter entitled "Supervisory Board Report".\*

To avoid a possible conflict of interest between his activities as a Supervisory Board member of MorphoSys AG and as member of the Board of Directors of Molecular Partners AG (Switzerland), Prof. Andreas Plückthun has resigned from his office effective at the end of the Annual Shareholders' Meeting in 2007. The Company's shareholders appointed Dr. Walter A. Blättler as Prof. Plückthun's successor.

## DIRECTORS' HOLDINGS

The ownership of MorphoSys AG shares or related financial instruments by Management Board and Supervisory Board members exceeds 1 % of the shares issued by the Company. For the disclosure of Company stocks held or financial instruments relating to them, please refer to section 25 of the Notes to the Consolidated Financial Statements.\* This list separately shows all the stocks, stock options and convertible bonds held by each member of the Management Board and the Supervisory Board.



SEE PAGE 136



SEE PAGE 120

### DIRECTORS' DEALINGS

Under the Securities Trading Act (Wertpapierhandelsgesetz), the Members of the Management and Supervisory Board of MorphoSys AG, as well as persons who have a "close relationship" with such members, are obligated to report trading in MorphoSys stock. During the fiscal year 2007, no such transactions took place.

### ANNUAL SHAREHOLDERS' MEETING

The Annual Shareholders' Meeting took place on May 16, 2007, in Munich. Approximately 28% of total voting stock was represented at the meeting, slightly down from the attendance in 2006 (approximately 30%). MorphoSys assisted the shareholders in the use of proxies and arranged the appointment of a representative to exercise shareholders' voting rights in accordance with instructions. This representative was also available at any time during the Annual Shareholders' Meeting. MorphoSys provided a webcast of the Management Board's speech online.

### RISK MANAGEMENT

Detailed information about MorphoSys' risk management system can be found on page 63 et seq. of this report. The systematic risk management activities, performed as part of the Company's value-based Group management approach, identify and assess risks at an early stage and minimize risk exposure.

### CORPORATE COMMUNICATIONS AND INVESTOR RELATIONS

A financial calendar lists the dates on which financial reports are released. Providing this kind of transparency as well as timely information for the shareholders is a high priority for the Management Board and the Supervisory Board. In that vein, MorphoSys has set itself the goal of exceeding the regulations of the German Corporate Governance Code and reports its year-end results within 60 days and the quarterly results within 30 days of the end of the respective periods.

As part of investor relations activities, MorphoSys holds regular meetings with analysts and institutional investors. In addition to an annual press conference and analyst meeting, conference calls are organized to coincide with the publication of the quarterly figures. MorphoSys strictly adheres to the concept that no shareholder receives preferential information. All corporate communications are conducted in a manner to provide all investors, including individual investors, the same level of information. For example, all investor presentations are published on the [corporate website](#).\*

### AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Stock exchange-listed companies in the EU must apply international financial reporting standards (IFRS). The MorphoSys Group applies IFRS since the fiscal year 2004. The Financial Statements of MorphoSys AG are prepared in accordance with the German Commercial Code (HGB).

The Audit Committee prepares its proposal on the selection of the Company's external auditors. The Annual Shareholders' Meeting appointed KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as auditor for the 2007 fiscal year. In order to ensure the auditors' autonomy, the Audit committee obtained a declaration of independence from the auditors.

