

Corporate Governance Report

Corporate governance is a central issue for all areas of the MorphoSys Group. It is based on the German Corporate Governance Code, which has become an established benchmark in Germany.

In the following document, the Management Board – on its own behalf as well as that of the Supervisory Board – reports on corporate governance at MorphoSys in accordance with sec. 3.10 of the German Corporate Governance Code.

CORPORATE GOVERNANCE ON MORPHOSYS'S WEBSITE

Continually updated information regarding corporate governance can be found on [MorphoSys's website*](#).

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 6, 2008, the German Corporate Governance Code was amended by resolution of the Government Commission charged with its administration. The Code Commission changed the former suggestions on the so-called severance payment cap into recommendations; MorphoSys already complied with these provisions in the prior year, when they were still suggestions.

CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

In 2008, MorphoSys's Management Board and Supervisory Board again addressed the question of code compliance, particularly in light of the new recommendations issued on June 6, 2008. The resulting Declaration of Conformity was published in December 2008 and posted on MorphoSys's website along with previous declarations.

DECLARATION OF CONFORMITY

At their meetings on December 10, 2008 the Board of Management and the Supervisory Board approved the following Declaration of Compliance pursuant to sec. 161 of the German Stock Corporations Act (AktG):

MorphoSys AG complies and will comply with the recommendations of the German Corporate Governance Code – in the version of June 6, 2008 – 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 exceptions, MorphoSys AG has complied with the German Corporate Governance Code in the time period since its Declaration of Compliance of December 2007.

Martinsried/Planegg, December 10, 2008
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 BOARD AND SUPERVISORY BOARD

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 law as well as by the articles of association and the rules of procedure. 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 four members and has one chairman. Rules of procedure regulate the allocation of areas of responsibility and the cooperation within the Management Board. Dr. Arndt Schottelius was appointed as of December 29, 2008. The areas of responsibility and the rules of procedure were subsequently updated.

- Dr. Simon E. Moroney, Chief Executive Officer, is responsible for the business segment AbD - Antibodies Direct, intellectual property and licensing, corporate legal, corporate communications and investor relations, as well as human resources.
- Mr. Dave Lemus, Chief Financial Officer, is responsible for finance, accounting and controlling, corporate development, treasury and technical operations including IT.
- Dr. Arndt Schottelius, Chief Development Officer, is responsible for preclinical and clinical development of MorphoSys's proprietary development programs.
- Dr. Marlies Sproll, Chief Scientific Officer, is responsible for the research department, including target scouting and antibody discovery, technology development and alliance management.



MORE INFORMATION AT
WWW.BIODEUTSCHLAND.ORG

The Management Board members have no additional mandates concerning the supervisory boards of other publicly listed companies. Dr. Moroney acts as member of the Supervisory Board of ProtAffin AG, Graz, Austria. Mr. Lemus was elected and serves presently as Treasurer of the Munich International School and in 2008 became Non-Executive Director of Axela, Inc., Toronto, Canada. Dr. Sproll serves 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 six-member Supervisory Board of MorphoSys AG is to oversee and advise the Management Board. The current Supervisory Board consists of professionally qualified members, representing the Company's shareholders. Pursuant to its rules of procedure and to fulfill its duties, the Supervisory Board mandated the following Committees in 2008:

COMPOSITION OF THE SUPERVISORY BOARD COMMITTEES:

	End of Term	Membership in the following committees	
		Audit Committee	Remuneration & Nomination Committee
Dr. Gerald Möller, Chairman	2012		X (Chairman)
Prof. Dr. Jürgen Drews, Deputy Chairman	2011		X
Dr. Walter Blättler	2011		
Dr. Daniel Camus	2012	X	
Dr. Metin Colpan	2012		X
Dr. Geoffrey N. Vernon	2012	X (Chairman)	



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Dr. Gerald Möller, Dr. Daniel Camus, Dr. Metin Colpan and Dr. Geoffrey Vernon were all reappointed by the Annual General Meeting in May 2008. After the re-election, Dr. Möller was confirmed as Chairman of the Supervisory Board.

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”.

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.

DIRECTORS’ DEALINGS

Under the German Securities Trading Act (Wertpapierhandelsgesetz - WpHG), the members of the Management Board and the 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.

In 2008, MorphoSys reported the following purchases/sales of the Company’s shares pursuant to sec. 15a of the WpHG. Each sale of shares listed below was preceded directly by the exercise of stock options/convertible bonds to purchase an identical number of shares. Dr. Moroney exercised 66,000 stock options and kept the shares.

Member of the Management Board	Function	Date of Transaction in 2008	Type of Transaction	Number of Stocks/Derivatives*	Share Price in €*	Transaction Volume in €**
Dr. Simon E. Moroney	CEO	March 27	Purchase	66,000	€3.627 (strike price of stock options)	239,360
Mr. Dave Lemus	CFO	August 18	Sale	10,500	€17.059 (average)	179,116
Mr. Dave Lemus	CFO	August 19	Sale	28,500	€16.853 (average)	480,320
Mr. Dave Lemus	CFO	August 20	Sale	7,200	€16.604 (average)	119,546
Mr. Dave Lemus	CFO	August 21	Sale	8,400	€16.627 (average)	139,667
Dr. Marlies Sproll	CSO	August 26	Sale	15,150	€16.357 (average)	247,638
Mr. Dave Lemus	CFO	August 29	Sale	9,750	€16.633 (average)	162,175
Mr. Dave Lemus	CFO	September 2	Sale	4,497	€16.983 (average)	76,374
Mr. Dave Lemus	CFO	November 4	Sale	8,400	€16.487 (average)	138,488
Dr. Simon E. Moroney	CEO	December 15	Sale	17,097	€15.542 (average)	265,716

* All numbers are presented under the assumption that the share split would have taken place on January 1, 2008.

** All differences due to rounding

Sales of the above convertible bonds/stock options were in conjunction with the scheduled expiration of these bonds in 2008/2009.

ANNUAL GENERAL MEETING

The Annual General Meeting took place in Munich on May 14, 2008. Approximately 26% of total voting stock was represented at the meeting, slightly down from the attendance in 2007 (approximately 28%). 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 General Meeting. MorphoSys provided an online webcast of the Management Board's presentation.

RISK MANAGEMENT

The Management Board ensures that an appropriate risk management and risk control system is in place in the Company and keeps the Supervisory Board informed about existing risks and their development. Detailed information about MorphoSys's risk management system can be found on page 53 et seq. of this report. The systematic risk management activities identify and assess risks at an early stage and minimize risk exposure.

CORPORATE COMMUNICATIONS AND INVESTOR RELATIONS

MorphoSys places a very high priority on transparency and communication and strictly adheres to the concept that no shareholder receives preferential information. All corporate communications activities are conducted in a manner to provide all investors, including individual investors, the same level of information. As part of its 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. All the presentations prepared for these events and also for road shows and investors' meetings are freely accessible on the internet. Video and audio recordings of key events can also be replayed on our website, and transcripts of the conference calls are provided in English as well as the German translation.

A financial calendar lists the dates on which financial reports will be released. Providing this kind of transparency and 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 reporting periods.

FINANCIAL STATEMENT AUDIT BY KPMG

In line with European Union requirements, MorphoSys prepares its consolidated financial statements and quarterly reports in accordance with International Financial Reporting Standards (IFRS). The financial statements of MorphoSys AG are prepared in accordance with the German Commercial Code (HGB).

The Audit Committee proposes the selection of the Company's external auditors. The Annual General Meeting appointed KPMG AG Wirtschaftsprüfungsgesellschaft as auditor for the 2008 fiscal year. In order to ensure the auditors' autonomy, the Audit committee obtained a declaration of independence from the auditors.