

SUPERVISORY BOARD REPORT

The 2009 fiscal year was dominated by the global financial and economic crisis. Despite a challenging environment, we can look back on a successful year for MorphoSys. In addition, the improvement of the performance of AbD Serotec was a highlight. Consistent with the Company's strategy, the main focus was on rounding out the development organization and continuing to advance the promising product candidates in our proprietary portfolio.

CONTINUOUS DIALOG WITH THE MANAGEMENT BOARD

The Supervisory Board was directly involved in all fundamental strategic decisions impacting the Company. Throughout the year, the Supervisory Board continued to perform with great care the monitoring and advisory functions for which it is responsible under the law and the Articles of Association. We regularly advised the Management Board on the management of the Company and continuously observed and supervised its conduct of business. The Supervisory Board was intensively involved from an early stage in all decisions of significance for the Company. We performed these functions on the basis of detailed written and oral reports received from the Management Board, which contained up-to-date and comprehensive information regarding all relevant topics. When we had questions about strategic topics impacting the Company, the Management Board provided sufficiently detailed answers on the basis of the documents presented.

Outside the Supervisory Board meetings, as the Chairman of the Board, I personally maintained regular contact with the Management Board and especially with the Chief Executive Officer, Dr. Simon Moroney, and was kept informed about the current business situation and key business transactions. I also took the opportunity to talk directly to members of the senior management group. Thus, the Supervisory Board was kept continuously informed about the Company's intended business strategy, corporate planning (including financial, investment and human resources planning), the

earnings performance as well as the state of the business of and the situation in the Company and the Group as a whole, which the Supervisory Board felt was particularly important during this time of global financial uncertainty for all industries. In 2009, the majority of our discussions focused intensively on the Company's proprietary therapeutic antibody drug development plans as well as on various acquisition opportunities to accelerate the growth and value of MorphoSys.

SUPERVISORY BOARD MEETINGS AND COMMITTEES

Six Supervisory Board meetings were held in fiscal year 2009. Between meetings, the Management Board kept us constantly informed about all projects and plans of particular importance to the Company. All events of importance to the Company were discussed in detail by the committees and the Supervisory Board plenum on the basis of reports by the Management Board. Where required by law and the Articles of Association, the Supervisory Board made decisions on the reports and resolution proposals of the Management Board after detailed examination and discussion.

The Management Board provided us with extensive written reports well in advance of each meeting, which were prepared by the Management Board with the input of the respective departments. These reports contained detailed information on the state of the Company and the development of its business, its financial situation, the personnel situation, development projects and fundamental issues of corporate



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Dr. Gerald Möller, Chairman of the Supervisory Board

planning and strategy. They were sufficiently comprehensive to explain the challenges and progress of MorphoSys. These reports were the basis for the analysis of the relevant topics at the Supervisory Board meetings and for passing the required resolutions.

The Supervisory Board dealt at length with the overall business situation, the development of revenues, earnings, investments and employment in the Group and its three business segments. All major investment projects were the subject of regular deliberations at the meetings. The Management Board reported regularly on the progress of the existing partnerships, proprietary antibody development, ongoing technology development efforts and the progress of the AbD Serotec segment.

In 2009, a special focus of Supervisory Board discussions was the development of the AbD Serotec segment. The new Head of AbD Serotec, Dieter Feger, reported in several board meetings on progress and planned steps to improve the financial performance and the strategic positioning of the unit. Another important topic in 2009 was the review of several opportunities to strengthen and accelerate the Company's proprietary product portfolio. In this context, several acquisition opportunities were evaluated.

Three committees deliberated on various aspects of the Company's business in 2009: the Audit Committee, the Remuneration & Nomination Committee, and the Science & Technology Committee. The composition of these committees can be found in the Corporate Governance chapter of this annual report. The Audit Committee met six times, dealing mainly with accounting issues, the quarterly financial statements and the annual financial statements. The auditor attended three meetings of the Audit Committee and informed its members of the audit results. The Remuneration & Nomination Committee met once and concerned itself with topics relating to the remuneration system and the level of compensation for the Management Board as well as with the appointment of the Chief Development Officer. The Science & Technology Committee met four times, focusing on the Company's development plans, interim results from ongoing studies, and the design of the planned and current clinical trials. Reports on the meetings of the Committees were presented at the plenary sessions of the Supervisory Board.

Conflicts of interest of Management Board and Supervisory Board members, which must be disclosed to the Supervisory Board immediately and reported to the Annual General Meeting, did not occur in the year under review.

No Supervisory Board member was absent from more than one meeting.



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CORPORATE GOVERNANCE AND MANAGEMENT BOARD COMPENSATION

The Supervisory Board dealt with the ongoing development of corporate governance at MorphoSys, taking into account any amendments made to the German Corporate Governance Code in June 2009. In implementing new legal requirements and the new recommendations of the Code, we also dealt with the compensation system for the Management Board in the absence of its members. To ensure conformity with the new German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung - VorstAG), the Supervisory Board is currently reviewing the compensation system for the Management Board in detail. The review involves discussions with external consultants. The results of this review, which must take into account the interests of the stockholders, the Company and its Management Board members, were not yet fully available when the Management Report was finalized, but will be finalized prior to the end of the transition periods specified by the VorstAG. A progress report will be given at the Annual General Meeting 2010. Changes are to be implemented no later than the new appointment of the Management Board members in June 2011. I am happy to report that a qualified independent consultant has confirmed that the remuneration packages of the Management Board are appropriate for the Company's size and financial position.

On December 23, 2009, the Management and Supervisory Boards issued a new Declaration of Conformity, which is included in the **Corporate Governance*** chapter of this annual report and is also permanently available to shareholders on **MorphoSys's website***. As stated in the Declaration of Conformity approved by the Supervisory Board, MorphoSys complies with all but three of the Code's recommendations.

For more detailed information regarding corporate governance issues, please refer to the **Corporate Governance*** section and the **remuneration report*** of this annual report.

INTERNAL CONTROLS

MorphoSys implemented an internal control system for establishing and maintaining adequate internal control over financial reporting. In 2009, MorphoSys has tested the compliance with its internal controls with the assistance of an external consultant. The results have been discussed within the Management and Supervisory Boards.

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

The financial statements and the management report of MorphoSys AG in accordance with HGB (German GAAP) and the consolidated financial statements and the Group management report of the MorphoSys Group (MorphoSys AG including its affiliates) on the basis of IFRS in accordance with sec. 315a HGB for the period of January 1, 2009, to December 31, 2009, prepared by the Management Board, were audited by KPMG AG, Wirtschaftsprüfungsgesellschaft, Munich. The audit contract had been awarded by the Audit Committee of the Supervisory Board in accordance with the resolution of the Annual General Meeting on May 13, 2009. The auditor issued an unqualified audit opinion.

The auditor has audited the MorphoSys Group's consolidated financial statements and the annual financial statements of MorphoSys AG as well as the management reports for the Group and the MorphoSys AG according to HGB and German auditing standards. The auditor confirmed that the con-

solidated annual financial statements are an accurate and fair reflection of the financial situation, the result of business activity, and the Group's cash flow, in accordance with the accounting principles as defined by IFRS. The focus for the 2009 audit of the consolidated financial statements and the Group management report of the MorphoSys Group was the process of preparing the consolidated financial statement, the accuracy of the annual financial statements included in the consolidated financial statements, capital consolidation, the accuracy of translation of foreign currency transactions and financial statements the determination of current and deferred taxes, the impairment test for the goodwill, the accuracy of segment reporting and the reasonableness of the disclosures regarding future development of the Group in the Group management report.

The focus of this year's audit of the financial statements and the management report of MorphoSys AG was the process of preparing the financial statements, the design, implementation and effectiveness of internal controls in the procurement process as well as the design, implementation and effectiveness of internal controls relating to Counsel Licensing & Intellectual Property, the completeness of trade accounts payable and accruals for outstanding invoices, the accurate recognition of the operating revenues, impairment of financial assets and the reasonableness of the disclosures regarding future development of the Company in the management report.

The audit reports and the financial statement documentation were sent to all Supervisory Board members with a sufficient amount of lead time for review. The audit report as well as the consolidated financial statements and the MorphoSys Group Management Report were discussed intensively at the Audit Committee meeting on February 18, 2010, and at the

Supervisory Board meeting on the same day. The audit report as well as the financial statements and the management report of MorphoSys AG were the subject of detailed discussion at the Audit Committee meeting on March 11, 2010, and at the subsequent Supervisory Board Meeting on the same day. At the respective meetings, the auditor took part in the discussion of the financial statements. He reported on the main results of his audits and was available to the Supervisory Board to answer questions and provide supplementary information. After our final review, the Supervisory Board approved the financial statements without objection or amendment and thus adopted them.

On behalf of my colleagues on the Supervisory Board, I would like to thank the members of the Management Board and the employees of all MorphoSys companies for their work and personal commitment. The year 2009 was another very successful one for MorphoSys, and I am convinced that the Company is well positioned for the future.

Martinsried/Planegg, March 11, 2010



Dr. Gerald Möller
Chairman of the Supervisory Board