

Annual Financial Statements of
MorphoSys AG as of December 31, 2015
(German GAAP)

MorphoSys AG, Martinsried

Management Report

During the 2015 financial year, MorphoSys vigorously pursued its strategy of building a broad and advanced pipeline of valuable biopharmaceutical compounds. The Company's emphasis is increasingly shifting towards the development of proprietary drug candidates. During the financial year we presented promising results from our antibody programs MOR208 and MOR202 in several hematological indications. Our partnered discovery programs also delivered positive performance and generated solid success-based revenues. Two of these compounds are expected to deliver decisive clinical data in 2016, which could lead to the first regulatory approvals of antibodies based on MorphoSys's technology. After the end of the partnership with Celgene in March 2015 MorphoSys continued the clinical development of MOR202 independently and went on to publish compelling clinical data by year-end. We have initiated an ambitious investment program for 2016 so that we can further accelerate the clinical development of our proprietary candidates MOR208, MOR202 and MOR209/ES414 and begin clinical development of MOR106 and MOR107. This will mark another step forward on our path to becoming a fully integrated, commercial biopharmaceutical company with our own products on the market.

Operations and Business Environment

Strategy and Management

STRATEGY AND OBJECTIVES

MorphoSys's goal is to build the most valuable biopharmaceutical pipeline in the biotech industry. In line with this goal, the Company is successfully transitioning from a technology provider to a drug development organization. The Company's powerful technology platform for generation of therapeutic antibodies has led to more than 100 drug candidates in development, three of which are in phase 3 studies. The majority of development programs are conducted in partnership with pharmaceutical and biotechnology companies. The revenues generated from these partnerships are used to expand MorphoSys's proprietary development portfolio. This segment, which currently comprises 14 programs, is gaining in importance and builds on top of an even bigger pipeline of programs generated on behalf of partners. With so many development programs ongoing, any potential setbacks that may arise during the lengthy drug development process can be compensated and the value of our technology can be maximized.

The Proprietary Development segment is focused on developing therapeutic agents based on the Company's proprietary technology platforms as well as candidates in-licensed from other companies. During clinical development, the Company decides whether and at which point it will 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). In selected cases, individual projects may be developed on a proprietary basis until they are ready for commercialization.

In the Partnered Discovery segment, MorphoSys's role is limited to generating antibody candidates for partners in the pharmaceutical and biotechnology industries. MorphoSys receives contractual payments including license fees for technologies and funded research as well as success-based milestone payments and royalties on product sales. The funds generated from these partnerships support the Company's long-term business model and help fund its proprietary development activities.

Both segments are based on the Company's innovative technologies. The foremost growth drivers are HuCAL, the industry's most successful antibody library measured by the number of clinical development candidates it has produced and the follow-on platform Ylanthia, which is today's largest known antibody library based on antibody Fab fragments. Through the acquisition of the biopharmaceutical company Lanthio Pharma B.V. in the reporting year, MorphoSys added an innovative and complementary platform of therapeutic peptides. Additionally, the Company uses its financial resources to expand and deepen its technological base, for example through in-licensing.

Along with investing in proprietary development and new technologies, MorphoSys supplements its long-term growth by in-licensing. The in-licensed programs MOR208 and MOR209/ES414 and the acquisition of Lanthio Pharma are good examples of how we are successfully implementing this strategy.

The Company's goal is to maximize the portfolio's full value by investing in proprietary drug candidates while maintaining financial discipline and strict cost control to ensure enterprise value growth.

MANAGEMENT AND PERFORMANCE INDICATORS

MorphoSys uses both financial as well as non-financial indicators to steer the Company, monitor the success of strategic decisions and give the Company the opportunity to take corrective action promptly when necessary. Additionally, management monitors and evaluates selected early indicators to thoroughly assess a project's progress and act quickly if there are any undesirable developments.

FINANCIAL PERFORMANCE INDICATORS

Our financial performance indicators are described in detail in the section "Analysis of Net Assets, Financial Position and Results of Operations." Revenues and result of ordinary activities are the key financial indicators used to measure operational business performance. The performance of the segments is reviewed monthly and the current financial year's budget is revised and updated on a quarterly basis. The Company prepares a mid-term plan once a year that encompasses the following three years. A thorough cost analysis is made regularly and is used to monitor the Company's adherence to financial targets and make comparisons with previous periods.

MorphoSys's business performance is influenced by factors such as milestone and license payments, research and development expenses, other operating cash flows, existing liquidity resources, expected cash inflows and working capital. These indicators are also routinely analyzed and evaluated with special attention being given to the statement of income, existing and future liquidity and available investment opportunities. The net present value of investments is calculated using discounted cash flow models.

NON-FINANCIAL PERFORMANCE INDICATORS

Non-financial performance indicators are equally important for managing the Company. For reporting purposes, MorphoSys uses the Sustainable Development Key Performance Indicators (SD KPIs) recommended by the SD KPI standard that include success in proprietary research and development (SD KPI 1) and achievements in partnered programs as benchmarks for the commercialization rate (SD KPI 2). In the past five years, there have been no product recalls, fines or settlements as the result of product safety or product liability disputes (SD KPI 3).

To secure its lead in the market for therapeutics, MorphoSys relies on the steady progress of its product pipeline, not only in terms of the number of therapeutic antibody candidates – 103 at the end of the reporting year – but also based on the progress of its development pipeline and prospective market potential. Since successful products are based on superior technologies, another key performance indicator is the progress of the Company's technology development. In addition to the quality of our research and development, our professional management of partnerships is also at the heart of our success. This refers to new contracts as well as the continued strategic development of existing alliances. Details on these performance indicators can be found in the section "Research and Development and Business Development" (p. 12).

The non-financial performance indicators described in the section "Sustainable Business Development" (p. 40) are also used to manage MorphoSys AG successfully.

TAB. 1: SUSTAINABLE DEVELOPMENT KEY PERFORMANCE INDICATORS (SD KPIs) AT MORPHOSYS (DECEMBER 31)

	2015	2014	2013	2012	2011
	(number of individual antibodies)				
Proprietary Development					
Programs in Discovery	8	5	3	2	2
Programs in Preclinic	2	2	0	0	0
Programs in Phase I	1	1	1	1	2
Programs in Phase II ¹⁾	3	2	2	2	1
Total¹⁾	14	10	6	5	5
	(number of individual antibodies)				
Partnered Discovery					
Programs in Discovery	43	40	37	34	30
Programs in Preclinic	25	25	22	20	24
Programs in Phase I	9	8	6	8	9
Programs in Phase II	9	8	8	6	6
Programs in Phase III	3	3	2	1	0
Total	89	84	75	69	69

¹⁾Thereof one out-licensed program: MOR103, out-licensed to GSK

LEADING INDICATORS

MorphoSys monitors a variety of leading indicators for the macroeconomic environment, the industry and the Company itself on a monthly basis. At the Company level, economic data is gathered on the progress of the segments' individual programs. MorphoSys uses general market data from external financial reports as macroeconomic leading indicators. The Company carefully reviews these reports and looks for information on industry transactions, changes in the legal environment and the availability of research funds.

For active collaborations, there are joint steering committees that meet regularly to update and monitor the programs' progress. These ongoing reviews give the Company a chance to intervene early when there are any negative developments and provide it with information on expected milestones and related payments well in advance. Partners in non-active collaborations report to MorphoSys regularly in writing so that we can follow the progress of ongoing therapeutic programs.

The business development area uses market analyses to get an indication of the market's demand for new technologies. By continuously monitoring the market, MorphoSys can quickly respond to trends and requirements and initiate its own activities or partnerships.

Before a therapeutic product is developed, a target product profile (TPP) is created and continually updated during the development process. This approach gives an early indication of the properties the product needs to be successful in the market and answers important questions, such as the level of efficacy to be achieved and whether development should be focused on improving the safety profile or changing the drug candidate's dosage form. The TPP also includes a detailed description of how the product could be positioned in the market and the relevant patient groups. By continuously monitoring

the criteria and their fulfillment, the Company can always take the key factors into account during product development and respond promptly to any changes.

Business Activities

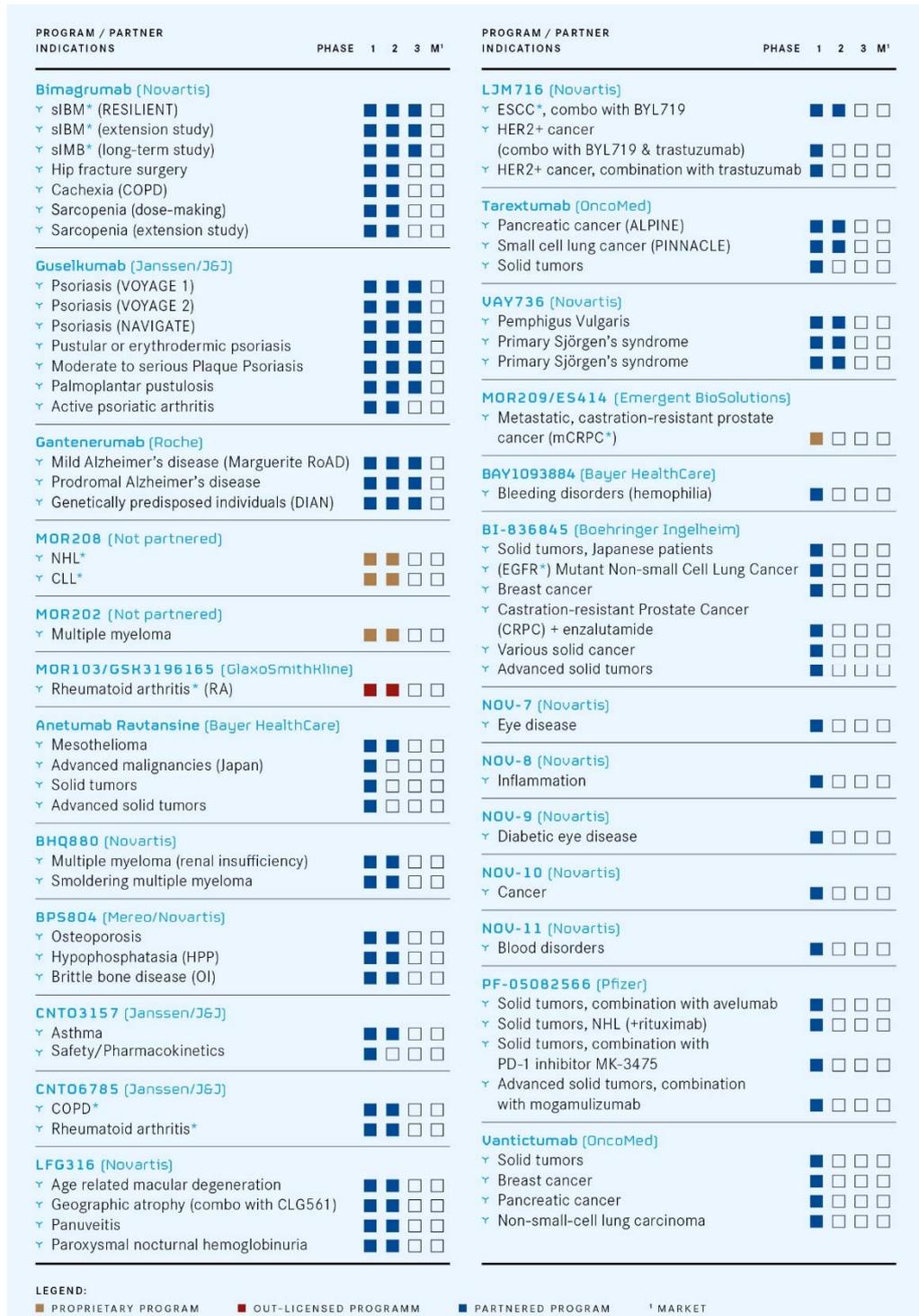
DRUG DEVELOPMENT

MorphoSys develops drugs using its own research and development (R&D) and in cooperation with pharmaceutical and biotechnology partners. Our core business activity is developing new treatments for patients suffering from serious diseases. The Company possesses one of the broadest pipelines in the biotechnology industry and had a total of 103 individual therapeutic antibody programs at the end of 2015, three of which are in phase 3 trials.

TECHNOLOGIES

MorphoSys has developed a number of technologies that provide direct access to fully human antibodies for treating diseases. One of the most widely known MorphoSys technologies is HuCAL, which is a collection of billions of fully human antibodies and a system for their optimization. Another is Ylanthia, which represents the next generation of antibody technology and is currently the largest known antibody library in Fab format based on an innovative concept for generating highly specific and fully human antibodies. MorphoSys expects Ylanthia to influence the pharmaceutical industry's development of therapeutic antibodies in this decade and beyond. Slonomics gives MorphoSys a patented, fully automated technology for gene synthesis and modification for generating highly diverse gene libraries in a controlled process. The lanthipeptide technology developed by Lanthio Pharma B.V., and fully acquired in the reporting year, is a valuable addition to our existing library of antibodies and opens up new possibilities for discovering potential drugs based on stabilized peptides.

FIG. 1: MORPHOSYS'S PRODUCT PIPELINE (AS OF DEC. 31, 2015)



PROPRIETARY DEVELOPMENT

An important goal of MorphoSys is to increase enterprise value through the proprietary development of innovative antibodies, focusing on cancer and inflammatory diseases.

ONCOLOGY

The ability of monoclonal antibodies to bind specific antigens has led to their dominant role in targeted cancer therapies. Referring to a study by IMS Institute for Healthcare Informatics expenditure in oncology is expected to amount up to US\$ 83 – 88 billion worldwide in 2016 and thus represent the largest therapy class in the healthcare sector. Within this sector innovative biological therapies show an important option for cancer treatment. The Company is currently investing in the clinical development of three cancer programs: MOR208, MOR202 and MOR209/ES414.

MOR208 is directed against the target molecule CD19, which is of particular interest for many B cell malignancies. The market research firm Decision Resources expects the therapeutic market for the B cell malignancy non-Hodgkin's lymphoma (NHL) to reach approximately US\$ 10 billion in 2022. Current biological therapies for the treatment of B cell malignancies, including the blockbuster rituximab (trade name Rituxan[®]), obinutuzumab (trade name Gazyva[®]), and ofatumumab (trade name Arzerra[®]) are directed against the CD20 target molecule. Because the target molecule CD19 is expressed on a larger number of B cell subtypes in comparison to CD20, the CD19 antibodies may offer a better therapeutic approach. The activity of MOR208 is enhanced by a change in the constant Fc part of the antibody, which leads to higher antibody-dependent cell-mediated cytotoxicity (ADCC) and an improvement in antibody-dependent cellular phagocytosis (ADCP). The most advanced therapeutic approach against CD19 is the bispecific antibody blinatumomab (trade name Blincyto[®]), which is approved for acute lymphoblastic leukemia (ALL). Other clinical programs directed against the same target molecule use alternative approaches to increase the antibody's efficacy, for example, by coupling with toxic substances or changing the antibody's glycosylation pattern. Another therapeutic approach against CD19 is the CAR-T technology. This therapy extracts a certain type of immune cells (T cells) from the patients' blood that are then altered outside of the body so that they can be better directed to the patients' tumor cells and kill them. When these T cells are later re-administered into the patients' blood via infusion, they subsequently bind and destroy targeted cancer cells. Alternative approaches using small molecules are also being developed in the field of B cell malignancies.

MOR202 is currently being developed for the treatment of multiple myeloma (MM) and is directed against the CD38 target molecule. After MorphoSys regained its rights to MOR202 from Celgene in March 2015, the Company continued developing MOR202 independently. Although MM is a relatively small area of oncology in terms of frequency of occurrence, the MM market has shown impressive growth. Significant achievements in clinical practice and the introduction of effective new treatments have helped the market expand. However, there is still untapped market potential in terms of therapy forms that have better survival rates and lower side effects compared to the compounds currently available. Despite significantly higher survival rates, the disease is seldom curable and a majority of patients experience a relapse. This has increased the attractiveness of alternative treatments, such as those targeting CD38. The approval by the FDA (Food and Drug Administration) in November 2015 of the CD38 antibody daratumumab (trade name Darzalex[®]) validated this treatment approach.

In March 2015, MorphoSys and Emergent BioSolutions announced the commencement of a phase 1 clinical study to investigate the safety, tolerability and clinical activity of **MOR209/ES414** in patients suffering from metastatic castration-resistant prostate cancer (mCRPC). MOR209/ES414 is a bispecific anti-PSMA/anti-CD3 antibody based on Emergent's ADAPTIR[™] platform (modular protein technology).

The immunotherapeutic protein activates the body's T cell immune response against prostate cancer cells bearing prostate specific membrane antigen (PSMA), an antigen commonly over-expressed in this tumor. The anti-CD3 binding domains of the molecule selectively bind to the T cell receptor on cytotoxic T cells, which become activated when the anti-PSMA binding domains crosslink them to the cancer cells. Prostate cancer is the most commonly occurring cancer in men with approximately 900,000 new cases annually worldwide. As preclinical *in vitro* and *in vivo* studies have shown, MOR209/ES414 redirects T cell cytotoxicity towards prostate cancer cells expressing PSMA.

INFLAMMATORY AND AUTOIMMUNE DISEASES

Chronic inflammatory and autoimmune diseases affect millions of patients worldwide and impose an enormous social and economic burden. The IMS Institute for Healthcare Informatics (IMS Health) expects the global market for the treatment of autoimmune diseases to reach US\$ 33 - 36 billion in the year 2016.

MOR103, the antibody fully out-licensed by MorphoSys to GlaxoSmithKline (GSK) in 2013, targets GM-CSF (granulocyte macrophage colony-stimulating factor) - a central factor in the emergence of inflammatory diseases, such as rheumatoid arthritis (RA). The market for drugs treating rheumatoid arthritis has tremendous commercial potential and biotechnologically produced drugs already comprise the majority of this market's total revenue. The overall RA market is growing steadily and Datamonitor expects that it will reach US\$ 18 billion in the year 2020. MOR103 has the potential to become the first antibody in the anti-GM-CSF antibody class of drugs. Comparable drugs currently in development are targeted against the GM-CSF target molecule or the GM-CSF receptor.

New mechanisms for treating inflammatory diseases are being examined in cooperation with the Belgian company Galapagos NV with the goal of developing new antibody therapies to treat these diseases. **MOR106** is the first drug candidate from this cooperation to enter preclinical development and is scheduled to enter clinical development in 2016. Under this alliance both partners contribute their core technologies and expertise and have an equal share in research and development costs and all future revenues.

The acquisition of the Dutch pharmaceutical company Lanthio Pharma B.V. in May 2015 enhanced MorphoSys's proprietary portfolio with the addition of **MOR107** (formerly LP2), a novel lanthipeptide in development for diabetic nephropathy and fibrotic diseases. MOR107 has demonstrated potent angiotensin II type 2 (AT2) receptor-dependent activity in preclinical *in vivo* studies.

INFLUENCING FACTORS

Many countries strive to provide proper medical care for the public as the need for new forms of therapy continues to grow in the face of demographic change. Cost-cutting could slow down the industry's development. As part of their austerity measures, governments in Europe, the United States and Asia have stepped up their healthcare restrictions and are closely monitoring drug reimbursement.

Generic competition, which is already common in the field of small molecule drugs, now poses an increasing challenge to the biotechnology industry because of drug patent expiries. The technical barriers for generic biopharmaceuticals, so-called biosimilars, will remain high. Nevertheless, many drug manufacturers, particularly those from Europe and Asia, are now penetrating this market and placing more competitive pressure on established biotechnology companies. In the US, the approval of biosimilars as an alternative form of treatment has been very slow; however, they are gaining more

attention because of increasing pressure in the healthcare sector to reduce costs. According to industry experts, the global market for biosimilars is expected to reach US\$ 20 billion in 2025.

PARTNERED DISCOVERY

In the Partnered Discovery segment, MorphoSys applies technologies for the research, development and optimization of therapeutic antibodies as drug candidates in partnership with pharmaceutical and biotechnology companies. While the development costs are borne by the respective partners, MorphoSys profits from research financing, milestone payments and potential royalties on the sales of products from successful programs.

The Company's largest alliance to date is the strategic alliance formed in 2007 with Novartis – a pharmaceutical partner with a growing pipeline of biotechnologically developed drugs. This alliance was expanded in 2012 through a supplementary cooperation agreement under which the companies will collaborate on creating therapeutic antibodies using MorphoSys's next generation antibody platform Ylanthia in addition to HuCAL.

Developing drugs with partners gives MorphoSys the opportunity to be involved in indications where it lacks proprietary expertise and typically would not pursue a program on its own. Examples of this include:

The HuCAL antibody **bimagrumab**, being developed by MorphoSys's partner Novartis for **sporadic inclusion body myositis (sIBM)** and other muscle-wasting disorders, is one of the most promising treatments in MorphoSys's pipeline. This antibody is currently in a phase 3 trial and received "breakthrough therapy designation" from the US Food and Drug Administration (FDA) and "orphan drug designation" (in Europe and the USA) for sIBM. Novartis announced that it may file for regulatory approval of this antibody in 2016.

Guselkumab, a HuCAL antibody against **psoriasis** developed by MorphoSys's partner Janssen, is currently in six phase 3 clinical trials and in a phase 2 trial in psoriatic arthritis. Data are expected from the first completed phase 3 trials in 2016, which could lead to a filing for regulatory approval in 2016.

The HuCAL antibody **gantenerumab**, developed by MorphoSys's partner Roche, adds a promising treatment for **Alzheimer's disease** to MorphoSys's pipeline. This compound is being investigated in three clinical studies to see if there is a positive effect from intervening at an early stage in the disease's progression. In one of these studies, Roche is evaluating the compound in around 1,000 patients with mild Alzheimer's disease. This study is ongoing as an open label study, in which higher doses of gantenerumab are being tested. A second trial with roughly 800 patients with prodromal Alzheimer's disease was converted into an open-label study after being discontinued temporarily at the end of 2014. A further study, run by the Dominantly Inherited Alzheimer Network (DIAN), is assessing the safety, tolerability and biomarker efficacy in individuals with a genetic predisposition to Alzheimer's disease. There are currently no drugs that fundamentally improve the course of Alzheimer's disease, which means there is still a very high medical need for new treatment options in this indication.

TAB. 2: MARKET DATA FROM SELECTED PHASE 3 PARTNERED PROGRAMS

Program name	MorphoSys partner	Indication	Market potential
Bimagrumab/ BYM338	Novartis	Sporadic inclusion body myositis, cachexia, sarcopenia, muscle wastage after hip fracture surgery	<p>Sporadic inclusion body myositis:</p> <ul style="list-style-type: none"> • Slowly progressive degenerative inflammatory disease of the skeletal muscles with very low prevalence of 4.9 to 9.3/1,000,000 (orphan disease) • No curative therapy available • Indication's peak sales potential: US\$ 400 to 890 million <p>Cachexia:</p> <ul style="list-style-type: none"> • Emaciation through degradation of muscle and fatty tissue • Indication's peak sales potential: US\$ 1.0 to 2.0 billion <p>Peak sales potential of all indications in clinical testing (sporadic inclusion body myositis, cachexia, sarcopenia, muscular atrophy after hip fracture surgery): US\$ 2.6 to 4.9 billion</p>
Guselkumab/ CNT01959	Janssen/J&J	Psoriasis, psoriatic arthritis	<p>Psoriasis:</p> <ul style="list-style-type: none"> • Lifelong disease with high morbidity; has a negative influence on the quality of life • Prevalence: 16 million patients¹ in 2015 <p>Psoriatic arthritis:</p> <ul style="list-style-type: none"> • Inflammatory joint disease, usually accompanied by psoriasis • up to 30 % of psoriasis patients are affected <p>Peak sales potential (psoriasis, psoriatic arthritis): US\$ 2.8 billion</p>

¹Seven key markets: USA, Japan, France, Germany, Italy, Spain and Great Britain

Sources: Defined Health, Decision Resources, Medscape

INNOVATION CAPITAL

MorphoSys started its Innovation Capital initiative to combine the traditional investment approach of an industry partner with the cooperative elements of compound development as flexibly as possible. Under this initiative, the Company intends to invest selectively in promising start-ups who have products and technologies that interest MorphoSys. Activities are focused on antibodies, technologies to generate antibody-like structures (scaffolds), proteins and peptides.

The initiative set the stage for the acquisition of the Dutch pharmaceutical company Lanthio Pharma B.V. in May 2015. MorphoSys had initially acquired a 19.98% interest in the company in 2012 under the Innovation Capital initiative. In 2014, MorphoSys exercised its option and acquired the technology and, in this past financial year, went on to purchase all of the remaining shares in Lanthio Pharma B.V., which is specialized in the research and development of lanthipeptides. Lanthipeptides are a novel class of therapeutics demonstrating high target molecule selectivity and improved compound properties. This transaction adds MOR107 (formerly LP2) to MorphoSys's proprietary portfolio and three other earlier-stage molecules. MOR107 is a novel lanthipeptide with potential to treat diabetic nephropathy and fibrotic diseases.

Organizational Structure

ORGANIZATION OF MORPHOSYS AG

MorphoSys AG develops and commercializes high-quality antibodies for therapeutic applications. The activities of the Company's two business segments are based on leading-edge proprietary technologies. The Proprietary Development segment combines all of the Company's proprietary research and development of therapeutic compounds. MorphoSys initially develops its proprietary and in-licensed

compounds independently with the option to bring them into partnerships or out-license them. The second business segment, Partnered Discovery, uses MorphoSys's cutting-edge technologies to make human antibody-based therapeutics on behalf of partners in the pharmaceutical industry. This segment encompasses all business activities related to these collaborations and most of the technological development.

MorphoSys AG acquired the remaining interest in the Dutch biopharmaceutical company Lanthio Pharma B.V., headquartered in Groningen, the Netherlands, for a price of € 20.0 million on May 7, 2015. Prior to the acquisition, the Company held 19.98 % of Lanthio Pharma B.V. The company Lanthio Pharma B.V. wholly owns LanthioPep B.V., which is also headquartered in Groningen.

Poole Real Estate Ltd. was liquidated and the remaining assets were distributed to MorphoSys AG as the sole shareholder on December 9, 2015.

In the 2015 financial year, the Company maintained the registered office of the parent company, MorphoSys AG, in Martinsried near Munich. The subsidiary Sloning BioTechnology GmbH is located in Martinsried, too. Two additional subsidiaries, Lanthio Pharma B.V. and its subsidiary LanthioPep B.V., are located at Groningen, the Netherlands. The Martinsried office houses the central functions such as accounting, controlling, human resources, legal, patents, corporate communications and investor relations, as well as the Proprietary Development and Partnered Discovery segments. The subsidiary Lanthio Pharma B.V. and its subsidiary LanthioPep B.V. in Groningen, the Netherlands, are largely autonomous and independently managed. These subsidiaries have their own research and development laboratories, general management and administration functions, as well as human resources, accounting and business development departments.

LEGAL STRUCTURE OF MORPHOSYS AG: MANAGEMENT AND SUPERVISION

MorphoSys AG, a German stock corporation listed in the Prime Standard segment of the Frankfurt Stock Exchange, is the parent company of the MorphoSys Group. In accordance with the German Stock Corporation Act, the Company has a dual management structure with the Management Board as the governing body whose four members are appointed and supervised by the Supervisory Board. The Supervisory Board is elected by the Annual General Meeting and currently consists of six members. Detailed information concerning the Company's management and control and its corporate governance principles can be found in the Corporate Governance Report. The Senior Management Group, made up of 20 managers from various departments, supports the Management Board of MorphoSys AG.

Research and Development and Business Development

2015 BUSINESS PERFORMANCE

MorphoSys strongly focuses its business activities on advancing its therapeutic programs in research and development to increase the Company's enterprise value. The clinical development of proprietary drug candidates is at the core of the Company's focus. In this context, the Company strives to gain access to novel disease-specific target molecules, advanced product candidates and innovative technology platforms to expand its proprietary development pipeline. MorphoSys also participates in the development success of its partners' therapeutic programs. The first of these antibodies based on MorphoSys's technology are approaching the market.

To MorphoSys, the fundamental measures for success in pharmaceutical research and development include:

- industry partnerships which create a broad development pipeline, leverage the MorphoSys technology platform and/or enable the commercialization of its therapeutic programs
- focused progression of its development programs
- clinical and preclinical results
- regulatory guidance of health authorities to pursue commercialization of individual therapeutic programs
- robust patent protection to secure MorphoSys's market position

COLLABORATIONS AND PARTNERSHIPS

New contracts and contract terminations in 2015 almost exclusively involved the Proprietary Development segment.

At the end of March 2015, MorphoSys and **Celgene Corporation** agreed to end the existing co-development and co-promotion agreement for MOR202. Following this termination, MorphoSys regained the rights to MOR202. We expect lucrative opportunities to open up – such as a new partnership – provided that sufficiently competitive clinical efficacy and safety data can be generated. The Company is no longer entitled to receive royalties and milestone payments announced under this alliance. MorphoSys is continuing the compound's clinical development as planned in a phase 1/2a study in patients with relapsed/refractory multiple myeloma with MOR202 alone and in combination with the compounds lenalidomide and pomalidomide, which are provided to MorphoSys by Celgene.

MorphoSys concluded transactions with several industry partners in 2015, including the purchase of the remaining shares in the Dutch biopharmaceutical company **Lanthio Pharma B.V.** for € 20.0 million in May. This purchase added new development candidates to the Company's proprietary portfolio, including LP2 for various fibrotic diseases. Following the acquisition, LP2 was renamed MOR107. MOR107 is a lanthipeptide with potential to treat diabetic nephropathy and fibrotic diseases. Lanthipeptides are a novel class of therapeutics demonstrating high target molecule selectivity and drug-like properties. Their high specificity is expected to open up new therapeutic applications with potential in indications that are not usually targeted with antibodies. Prior to the acquisition, MorphoSys held 19.98% of Lanthio Pharma, which it had acquired under its Innovative Capital initiative in 2012 as part of Lanthio Pharma's Series A funding.

In August 2015, MorphoSys and Swiss-based **G7 Therapeutics AG** announced a new collaboration to develop novel antibody therapeutics targeting G protein-coupled receptors (GPCRs) and other potentially disease-related transmembrane proteins, such as ion channels. Under this agreement, G7 Therapeutics will give MorphoSys a choice of various receptors that can be linked to the emergence of a variety of diseases. MorphoSys will use its proprietary Ylanthia antibody library to identify and develop antibodies directed against these receptors. MorphoSys has the right to sublicense access to these target molecules in conjunction with therapeutic antibody programs.

In August 2015, MorphoSys also announced a strategic alliance in the field of immuno-oncology with the German company **Immatics Biotechnologies GmbH**. The alliance was formed to develop novel antibody-based therapies against a variety of cancer antigens that are recognized by T cells. The agreement gives MorphoSys access to several of Immatics's proprietary tumor-associated peptides

(TUMAPs). 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.

PROJECT INITIATIONS AND PROGRESS, TRIAL EXTENSIONS

During the 2015 financial year, the number of individual therapeutic antibodies in the MorphoSys pipeline grew to a total of 103 (December 31, 2014: 94 individual antibodies) Proprietary Development and Partnered Discovery projects. At the end of 2015, MorphoSys had 14 projects (December 31, 2014: ten) in its Proprietary Development portfolio, four of which were in clinical development and ten in preclinical development or the discovery phase. The number of programs being pursued by our partners in the Partnered Discovery segment grew to a total of 89 (December 31, 2014: 84), 21 of which were in clinical development, 25 in preclinical development and 43 in the discovery phase. MorphoSys's partnered and proprietary clinical pipeline currently comprises 25 unique antibody molecules which are being evaluated in more than 50 clinical trials.

FIG.2: ACTIVE CLINICAL STUDIES WITH MORPHOSYS ANTIBODIES



PROPRIETARY DEVELOPMENT

When the bispecific antibody MOR209/ES414 entered a phase 1 trial in 2015, it became the fourth clinical-stage drug candidate in MorphoSys's Proprietary Development segment. In early March 2015, MorphoSys and its development partner Emergent BioSolutions announced the commencement of a phase 1 clinical study with MOR209/ES414 in up to 130 patients suffering from metastatic castration-resistant prostate cancer (mCRPC). The study is being conducted in clinical centers in the USA and Australia and will evaluate the safety, tolerability and clinical activity of the compound in two stages. Stage one's main objective is to identify the maximum tolerated dose (MTD) and stage two's objective is to investigate the clinical activity. The study's launch triggered a milestone payment to Emergent of €4.7 million. The existing cooperation agreement was updated in the past financial year. After a joint examination of the initial data, the companies decided to adjust the dosing regimen and administration of MOR209/ES414. Clinical development will continue in 2016 with an adapted clinical development plan. Under the terms of the updated agreement, the parties have reduced MorphoSys's cost sharing in the years 2016 to 2018 and have reduced future milestone payments payable by MorphoSys to

Emergent BioSolutions to a total of up to US\$74 million. Other financial terms and the split of the commercial rights remain unchanged.

MOR103 was fully out-licensed to GlaxoSmithKline (GSK) in 2013. In the third quarter of 2015, GSK announced the commencement of a phase 2 study with MOR103 (re-named GSK3196165) for rheumatoid arthritis. GSK also plans to initiate a second phase 1b/2a study in hand osteoarthritis during 2016.

In 2015, an ongoing investigator-initiated clinical trial with the anti-CD19 antibody MOR208 for patients with relapsed/refractory chronic lymphocytic leukemia (CLL) conducted at the Ohio State University was expanded to include patients with Richter's transformation, a particularly aggressive sub-type of CLL. These patients will be treated with a combined therapy of MOR208 and ibrutinib. A phase 2 clinical trial of MOR208 as monotherapy for patients with acute lymphoblastic leukemia (ALL) was terminated in the first quarter in order to focus on a planned investigator-initiated pediatric study using MOR208 in combination with an immune cell transplantation. This study is scheduled to begin in 2016.

PARTNERED DISCOVERY

In early April 2015, MorphoSys announced its receipt of a clinical milestone payment from its partner **Janssen Biotech**. This payment was triggered by the initiation of a phase 2 clinical study with the HuCAL antibody guselkumab (CNT01959) in a new indication, psoriasis arthritis, and was recognized in the first quarter of 2015.

In July 2015, MorphoSys announced the receipt of a clinical milestone payment from its partner **Novartis**. The payment was triggered by the initiation of a phase 1 study of a HuCAL antibody in the field of blood disorders. This became the 11th therapeutic antibody based on MorphoSys's technologies that Novartis is evaluating in clinical trials. The milestone payment was recognized in the second quarter of 2015.

In July 2015, MorphoSys also announced that its partner **Heptares Therapeutics**, a wholly owned subsidiary of Japan's Sosei Group Corporation, exercised an option to initiate its own therapeutic antibody program under the research alliance entered into by the companies in February 2013. The program will use MorphoSys's Ylanthia technology to generate antibody candidates against disease-relevant molecules targeting G protein-coupled receptors (GPCRs). Heptares intends to pursue the subsequent development and later commercialization of a program with MorphoSys receiving research funding and development-dependent milestone payments as well as royalties on sales of the resulting therapeutic antibodies.

In October 2015, MorphoSys announced the receipt of a milestone payment from its partner **Bayer HealthCare** for the initiation of a phase 1 clinical trial of a HuCAL antibody (BAY1093884) in the field of bleeding disorders. The antibody targets the tissue factor pathway inhibitor (TFPI), a major inhibitor of tissue factor-initiated blood clotting. The study is focused on for the treatment of hemophilia A, the most common type of hemophilia, which affects approximately 400,000 people worldwide.

In January 2016, MorphoSys's partner Bayer initiated a phase 2 clinical study in mesothelioma with the mesothelin-targeting anetumab ravtansine antibody (BAY94-9343). The objective is to support registration of the compound based on the study's results if successful. The related milestone payment was recognized in the first quarter of 2016.

CLINICAL STUDY DATA FROM CURRENT PROJECTS

PROPRIETARY DEVELOPMENT

In 2015, MorphoSys announced interim data from clinical studies for its proprietary drug programs MOR202 and MOR208 at several industry conferences.

Advanced and progressively more detailed data from the ongoing phase 2a study with the anti-CD19 antibody **MOR208** in patients with subtypes of relapsed or refractory non-Hodgkin's lymphoma (NHL) were presented at the 2015 American Society of Clinical Oncology (ASCO) Annual Meeting in May/June, the European Hematology Association (EHA) congress in June 2015 and the annual American Society of Hematology (ASH) meeting in December 2015. In this open-label multicenter study, MOR208 was tested as a single-agent in 92 patients with diffuse large B cell lymphoma (DLBCL), follicular lymphoma (FL), mantle cell lymphoma (MCL) and other indolent NHLs (iNHL). MOR208 monotherapy was well tolerated in the study and showed encouraging clinical activity. The data presented at the ASH annual meeting in December showed an overall response rate (ORR) of 28% across all four NHL subtypes, reaching 36% in the DLBCL subgroup (both based on evaluable patients). At the time of the most recent analysis, several patients – a total of 9 out of 21 – had an ongoing response to the single-agent treatment. The longest response duration exceeded 20 months in both DLBCL and FL. Based on these results, MorphoSys is planning to initiate combination studies of MOR208 in 2016.

The first promising results on safety and clinical activity from another ongoing phase 2 study with MOR208 were announced at the ASH annual conference in December. In this investigator-initiated clinical trial conducted by scientists at the Ohio State University, combination of MOR208 and the immunomodulator lenalidomide is being evaluated in relapsed/refractory and treatment-naïve chronic lymphocytic leukemia (CLL) patients. Patient recruitment was still underway in both patient groups at the time of the presentation, whereby 16 patients were already enrolled and 11 evaluated. The combination of MOR208 with lenalidomide was generally well tolerated. In patients with relapsed/refractory CLL, three patients showed a partial response (PR) and two patients showed stable disease (SD). Four of the treatment-naïve CLL patients showed partial responses (PR). Patient response generally deepened over time, and five patients were able to complete a 12-week therapy cycle with MOR208.

MorphoSys's anti-CD38 antibody **MOR202** is currently being evaluated in an ongoing phase 1/2a clinical study. Meaningful and encouraging interim data from this safety and tolerability study were released at a number of conferences in 2015, including the ASCO annual conference in May/June, the EHA congress in June, the Multiple Myeloma Workshop in September and the ASH annual meeting in December. The study evaluates MOR202 at escalating doses alone and in combination with the immunomodulatory drugs lenalidomide and pomalidomide in a total of 52 heavily pretreated patients with relapsed/refractory multiple myeloma. In this study, MOR202 showed encouraging clinical activity, an excellent safety profile and best-in-class infusion tolerability with just a two-hour infusion time. The data presented at the ASH conference in December showed the following clinical efficacy: Among the patients receiving MOR202 alone, three out of nine in groups with clinically relevant dose regimens showed an objective tumor response (ORR = 33%) and the other six patients showed stable disease. In the combination therapy at 8 mg/kg MOR202 with lenalidomide or pomalidomide, one of the six patients showed a very good partial response (VGPR), two showed partial responses (PR) and one showed a minimal response (MR). Other patients were scheduled to receive 16 mg/kg MOR202 in combination with pomalidomide or lenalidomide. Further patient therapy is planned to validate the recommended dose of MOR202 alone and in combination with pomalidomide or lenalidomide.

At the 2015 ASH conference, MorphoSys also presented promising preclinical data on MOR202 which demonstrated synergy of MOR202 in combination with different compounds commonly used in the treatment of multiple myeloma. Another set of preclinical experiments focused on MOR202's ability to kill targeted cells via antibody-dependent cell-mediated cytotoxicity (ADCC). MOR202 showed a level of killing of multiple myeloma cells via ADCC equivalent to that of surrogates of the competing anti-CD38 antibodies daratumumab and isatuximab, but exhibited significantly reduced killing of natural killer cells (NK cells) from the body's own immune system. NK cells, as effector cells, are needed for the killing of the tumor cells. These results suggest that MOR202 may show a more durable clinical response than other compounds of its class by sparing the NK cells needed for ADCC.

PARTNERED DISCOVERY

MorphoSys's partners continued developing their antibody programs in the reporting year and presented their progress at various scientific conferences.

At the 2015 American Society of Clinical Oncology (ASCO) Annual Meeting at the end of May/early June in Chicago, several of MorphoSys's partners presented clinical data for a number of HuCAL antibodies.

Pfizer presented phase 1 data from its study of anti-4-1BB antibody **PF-05082566** in patients with non-Hodgkin's lymphoma (NHL). The combination of PF-05082566 with rituximab was well tolerated and showed anti-tumor activity as well as biomarker modulation.

Novartis presented results from its phase 1 combination trial evaluating the HuCAL antibody **LJM716** in combination with BYL719 and trastuzumab in patients with HER2-positive metastatic breast cancer. The study created a safety profile for the combination therapy and demonstrated the therapy's anti-tumor activity. Novartis presented preclinical data at the annual American Association for Cancer Research (AACR) conference in April 2015 showing that LJM716 successfully inhibited the target molecules HER3 and EGFR in lung squamous cell carcinoma cell lines and showed preclinical anti-tumor activity.

OncoMed published the final results of its phase 1a study of **tarextumab** (OMP-59R5) in combination with an etoposide and platinum-based therapy (EP) in small cell lung cancer (PINNACLE trial). The combination was well tolerated and showed encouraging anti-tumor activity. Additionally, a dosage was determined that is currently being tested in an ongoing, randomized placebo-controlled phase 2 study. At the World Conference on Lung Cancer in September 2015, OncoMed announced new biomarker data and updated its clinical phase 1 data for tarextumab (OMP-59R5).

MorphoSys's partner Bayer also presented new clinical results from a phase 1 study at the World Conference on Lung Cancer in September 2015. The study evaluated different doses of the HuCAL antibody **anetumab ravtansine** (BAY94-9343) in 77 patients with advanced mesothelioma and other solid tumors. Anetumab ravtansine is an antibody drug conjugate (ADC) directed against the mesothelin target molecule. The study determined the maximum tolerated dose (MTD) that showed encouraging efficacy in mesothelioma patients.

REGULATORY EVENTS

PARTNERED DISCOVERY

In the first quarter of 2015, MorphoSys announced that its partner OncoMed had received orphan drug status from the US Food and Drug Administration for the HuCAL antibody **tarextumab** in pancreatic cancer and small cell lung cancer. The program is currently in clinical development for both indications.

There were no regulatory decisions announced relevant to the Partnered Discovery segment.

PATENTS

During the 2015 financial year, MorphoSys continued to consolidate and expand the patent protection of its development programs and its growing technology portfolio, which are the Company's most important value drivers.

At the end of the financial year, the Company maintained roughly 50 different proprietary patent families worldwide in addition to the numerous patent families it pursues with its partners.

Headcount Development

The success of MorphoSys is based on highly qualified, dedicated employees who are creative and motivated. On December 31, 2015, MorphoSys AG had 352 employees (December 31, 2014: 325), 136 of whom hold PhD degrees (December 31, 2014: 124). MorphoSys AG employed an average of 345 employees in 2015 (2014: 311).

A competitive and attractive remuneration system is a decisive factor when competing for the best employees. To be a competitive employer, MorphoSys compares the Company's compensation with that paid by other companies in the biotech industry and similar sectors and makes adjustments when necessary. The remuneration system at MorphoSys includes fixed compensation and a variable annual bonus that is linked to the achievement of corporate goals. Individual goals promote both the employees' personal development and the achievement of key corporate goals.

A "spot bonus" (given "on the spot") is promptly awarded to employees for exceptional accomplishments.

A detailed overview of headcount development and MorphoSys's activities to promote successful long-term human resource developments can be found in the section "Sustainable Business Development."

Changes in the Business Environment

The global economy lost more steam in 2015. In its latest forecast in January 2016, the International Monetary Fund (IMF) expects global growth to be a modest 3.1% in 2015 following 3.4% in 2014. Weak growth in China, the fall in commodity prices and geopolitical tensions, particularly in Russia and the Middle East, will continue to weigh on global growth.

While the advanced economies had another year of slightly increasing growth momentum and reported 1.9% growth in 2015 (2014: 1.8%), the expansion in emerging markets and developing economies slowed significantly with growth reported at 4.0% (2014: 4.6%). Growth in the eurozone rose 1.5% (2014: 0.9%) compared to the previous year due to a boost in exports because of the weak euro. Germany's growth held fairly steady at 1.5% (2014: 1.6%). Growth momentum in the USA was again much stronger with the economy growing 2.5% (2014: 2.4%).

China, which has been the driving force of the world economy, continued to falter and reported growth in 2015 of 6.9% (2014: 7.3%). The pace of growth and the outlook during the year deteriorated

progressively, which placed tremendous pressure on both the Chinese and global financial markets in the fourth quarter. The two large emerging countries, Russia (2015: -3.7% versus 2014: 0.6%) and Brazil (2015: -3.8% versus 2014: 0.1%) were in deep recession in 2015.

Economists expect the ongoing risks to keep the economy vulnerable to setbacks. Global economic uncertainty and rising geopolitical tensions are also a threat to the growth of the global pharmaceutical and biotechnology industries, particularly because fading euphoria in the capital markets and less favorable financing conditions can have an adverse impact on sectors heavily reliant on research financing, such as the biotechnology sector.

MorphoSys takes into account all potential macroeconomic risks and opportunities when conducting business activities. Political uncertainty in the global markets did not cause the Company to refrain from or change any of its key activities in the past financial year. MorphoSys's operations were also not affected by any fluctuations within individual countries and, therefore, in this respect, were not directly impacted by global economic developments.

REGULATORY ENVIRONMENT

The healthcare industry's regulatory environment is dominated by ever-increasing product quality, safety and efficacy requirements and places high demands on companies. Novel drugs need to demonstrate a significant benefit over existing therapies in order to be approved, gain the market's acceptance and be reimbursed by the healthcare system.

The industry is also subject to potential pricing restrictions because of the dominant role played by cost savings in the healthcare system's regulatory requirements. References to overpricing and potentially more stringent price control in the US drug market made by presidential candidate Hillary Clinton during the US primaries in September 2015 stirred up uncertainty in the biotech and related sectors.

Despite the high demands placed on the sector, the market's situation continues to be positive, particularly in the USA. The US Food and Drug Administration granted approval to 45 drugs in 2015, surpassing the already high number of approvals in the previous year (2014: 41). From 2006 to 2014, the FDA approved an average of 28 new compounds every year, which corroborates the importance of the industry's commitment to innovation for developing technologically better products and optimizing approved treatment methods.

The FDA supports compounds with exceptional medicinal potential through measures such as the "breakthrough therapy designation," introduced in 2013, and the "fast-track" program, both of which help expedite product development and testing. MorphoSys received fast-track status for its proprietary compound MOR208, which is currently undergoing phase 2 clinical evaluation for patients suffering from diffuse large B cell lymphoma (DLBCL). Closer cooperation with the regulatory authorities facilitates the antibody's targeted development and may help bring it more quickly to the market.

DEVELOPMENT OF THE PHARMACEUTICAL AND BIOTECHNOLOGY SECTORS

The global pharmaceutical industry had a stellar year in 2015. After years of stagnating sales, the 20 largest global pharmaceutical companies saw the reemergence of sustainable sales growth: On a constant currency basis, Group sales increased 7% on average. Experts believe two key factors are responsible for this positive performance: First, companies have overcome the impact of expiring

patents and related sales declines, and second, the sector has seen tremendous success in terms of research and development and regulatory approvals for products.

The market for cancer drugs, which is the most important market for MorphoSys's pipeline development, is one of the most attractive and fastest-growing segments in pharmaceuticals. The US market research institute IMS Health estimates that in 2014, global sales of oncological compounds exceeded US\$ 100 billion for the first time and will continue to grow on average by 6 to 8 % annually until 2018. The aging global population has sustained this growth trend. The World Health Organization (WHO) expects the number of new cancer cases to rise 70 % in the next 20 years.

However, there are also factors that could slow down the pharmaceutical market. Political and public opposition to higher drug prices became abundantly evident in 2015, particularly in connection with the launch of a new hepatitis C drug by Gilead Sciences priced at US\$ 1,000 per pill. Price pressure on biotechnology drugs emerged with the successful development of generically manufactured, patent-free imitation products. Experts also expect pharmaceutical prices to come under pressure due to competition within the biotech and pharmaceutical industry as a result of the global expansion of research pipelines.

The number of mergers and acquisitions in the pharmaceutical and biotechnology sectors has grown dramatically. In the first half of 2015, transactions reached a record US\$ 210 billion and were triple their level in the same period of the previous year; at the end of the full year, transactions in the medical sector had reached US\$ 724 billion, or one-seventh of the aggregate volume of mergers and acquisitions worldwide.

More information on the development of the stock market can be found in the section "Shares and the Capital Market" on page 36.

DEVELOPMENT OF THE ANTIBODY SECTOR

The year 2015 marked a very successful year for the clinical development of therapeutic antibodies. The FDA set a record with its approval of nine antibodies. According to the scientific publication, mAbs Journal, there are currently 53 antibodies in phase 3 clinical studies and 16 of those are to treat cancer. The "Antibodies to Watch in 2016" list presented by mAbs Journal at the Antibody Engineering Conference in San Diego in December 2015 included guselkumab which is derived from MorphoSys's technology platform and is being developed by Janssen. Results are expected in 2016 from a phase 3 clinical study of this compound in psoriasis.

Antibodies in the field of cancer immunotherapy continued to dominate headlines in 2015. Clinical data was shown that further corroborated the efficacy of the anti-PD1 and anti-PD-L1 antibodies which act by blocking immune checkpoints. These compounds, which reactivate the body's immune system for identifying and killing tumor cells, was also a dominant theme at the May/June 2015 ASCO conference, the world's premier cancer conference. Companies presented promising clinical study results particularly in the areas of skin cancer (melanoma) and lung cancer.

Additionally, the following antibodies received approval in 2015:

- Secukinumab (trade name Cosentyx[®]), the first monoclonal antibody targeting IL-17a for treating patients with moderate to severe psoriasis was approved in the USA and EU.

- Daratumumab (trade name Darzalex[®]) targeting the CD-38 antigen became the first antibody to receive FDA approval for treating patients with multiple myeloma, a form of bone cancer.
- Elotuzumab (trade name Empliciti[®]), another potent antibody for treating multiple myeloma targeting glycoprotein SLAMF7 (Signaling Lymphocytic Activation Molecule Family Member 7) received FDA approval.

CURRENCY DEVELOPMENTS

The European debt crisis, a faster-growing US economy and a stronger US dollar on the back of the US key interest rate increase in December resulted in an even weaker euro. Falling energy prices brought down European inflation rates, which raised the monetary regulator's deflationary concerns, and the European Central Bank reinforced its expansionary monetary policy, putting additional pressure on the euro. At the end of 2015, the euro was quoted at US\$ 1.09, or roughly 10% lower than its level at the start of the year. According to experts, the euro will continue to move closer to parity with the dollar.

Changes in these currencies could have an effect on MorphoSys's future costs and revenues because most of the Company's business is transacted in euros and US dollars. The ongoing weakness in the euro versus the US dollar has a direct influence on the Company's operating results because a growing share of its clinical study costs are incurred in the USA.

Analysis of Net Assets, Financial Position and Results of Operations

Revenues

Compared to the previous year, revenues increased by 66 % to € 102.7 million (2014: € 61.9 million). This increase mainly resulted from the termination of the collaboration with Celgene for the co-development and joint commercialization of MOR202 which triggered the release of hitherto deferred revenues. The Proprietary Development und Partnered Discovery segments contributed € 58.3 million (2014: € 14.6 million) and € 44.4 million (2014: € 47.3 million) to total revenue, respectively.

Of total revenues, € 2.2 million (2014: € 0.7 million) related to companies located in Germany and € 58.7 million (2014: 16.5 Mio. €) to biotechnology and pharma companies as well as non-profit organizations located in North America. Revenues in the amount of € 41.8 million were generated with companies located in Europe and Asia (2014: € 44.6 million).

Cost of Goods Sold

Cost of goods sold mainly comprised research and development expenses and increased by € 19.6 million to € 82.7 million (2014: € 63.1 million). This change was primarily resulting from higher costs for external services (2015: € 36.8 million; 2014: € 18.4 million). Costs for external services mainly increased due to higher expenses for external laboratory funding in connection with MorphoSys's proprietary development.

Selling Expenses

Selling expenses decreased by € 0.4 million to € 2.1 million (2014: € 2.5 million) as a result of lower personnel costs.

General Administration Expenses

General administration expenses amounted to € 17.5 million (2014: € 19.2 million). This decrease was mainly caused by lower personnel costs (2015: € 13.4 million; 2014: € 14.3 million) and lower costs for external services (2015: € 2.8 million; 2014: € 3.0 million). The decrease in personnel expenses was mainly caused by lower bonuses as well as lower effects from the exercise of share-based remuneration programs and the related taxation of monetary benefits for the employees compared to the previous year.

Other Operating Income, Other Operating Expenses, Other Interest and Similar Income as well as Other Interest and Similar Expenses

Other operating income amounted to € 16.8 million and slightly decreased by € 0.2 million compared to 2014. This item primarily includes effects from the taxation of monetary benefits in connection with the exercise of share-based payment programs by employees of the Company and from the release of accruals and provisions.

Other operating expenses doubled from € 0.5 million in 2014 to € 1.0 million in 2015. The main drivers for this increase were realized losses from financial derivatives as well as a one-time effect from the impairment of other assets.

Other interest and similar income increased from € 1.1 million in 2014 to € 1.7 million in 2015, and mainly comprised interest income from bank deposits and financial investments. Other interest and similar expenses decreased from € 0.2 million to € 0.04 million.

Income from Investments

In financial year 2015, an amount of € 0.02 million from retained earnings of the subsidiary Poole Real Estate Ltd. was distributed to MorphoSys AG (2014: € 0.9 million).

Income from Other Securities and Loans Presented under Financial Assets as well as Losses from Other Securities and Loans Presented under Financial Assets

Income from other securities and loans presented under financial assets in the amount of € 0.1 million (2014: € 0.7 million) were composed of realized gains from securities. Losses from other securities and loans presented under financial assets amounted to € 0.4 million in financial year 2015 (2014: € 0.1 million) and comprised unrealized losses from the valuation as well as realized losses from the sale of securities.

Impairment of Financial Assets and of Current Securities

In business year 2015, the impairment on financial assets and current securities related to an impairment of the share in Poole Real Estate Ltd. in the amount of € 0.04 million (2014: € 1.0 million).

Extraordinary Result

In 2015, there were no events to be reported as extraordinary results. The extraordinary result 2014 occurred from a merger loss in connection with the merger of MorphoSys IP GmbH and MorphoSys AG.

Income Tax

Given the positive result from ordinary activities in financial year 2015, tax expenses of € 3.8 million were recorded. In the previous year, a tax income for losses carried back for income tax purposes in the amount of € 0.1 million was recorded as a consequence of the negative result of ordinary activities.

Result from Ordinary Activities / Net Profit / Net Loss

The above mentioned fluctuations led to a result from ordinary activities of € 17.5 million (2014: € -5.0 million) and a net profit in the amount of € 13.6 million (2014: net loss of € 4.9 million).

Financial Position

PRINCIPLES OF FINANCIAL MANAGEMENT

At MorphoSys, the primary objective of financial management is to have sufficient liquidity reserves available for the continued growth of the Company at all times. The main source of this liquidity is the operational business activities of the various parts of the Company and the resulting cash inflows. Scenario projections and cash flow projections are used to determine our liquidity requirements.

INVESTMENTS

MorphoSys's investments in property, plant and equipment amounted to € 1.3 million and decreased by € 1.6 million in comparison to the previous year. Depreciation of property, plant and equipment remained almost unchanged compared to the previous year and amounted to € 1.5 million in 2015 (2014: € 1.4 million).

In 2015, the Company invested € 7.1 million (2014: € 17.3 million) in intangible assets, namely for a milestone payment for a research program in-licensed in 2014 as well as for a technology license. Amortization of intangible assets amounted to € 0.8 million and decreased in comparison to the previous year (2014: € 1.6 million). In financial year 2014, impairments in the amount of € 4.1 million were recognized on patents, licenses and laboratory equipment.

LIQUIDITY

As of December 31, 2015, the Company held liquid funds, bank deposits, other securities presented under current assets and other financial assets in the amount of € 286.6 million, compared to € 337.4 million on December 31, 2014.

The decrease in liquidity compared to the previous year mainly resulted from the acquisition of the outstanding shares in Lanthio Pharma B.V. as well as from the financing of operating activities.

Net Assets

ASSETS

Total assets decreased by € 33.6 million to € 379.6 million as of December 31, 2015 compared to € 413.2 million as of December 31, 2014. A reduction of liquid funds and securities of € 50.8 million in total was partly compensated by an increase in shares in affiliated companies and shares in participations (€ +21.3 million) as well as by an increase in intangible assets (€ 6.3 million). The movement in shares in affiliated companies was primarily affected by the acquisition of the outstanding shares of Lanthio Pharma B.V. (€ +26.1 million). This was partly offset by a repayment of capital by Sloning BioTechnology GmbH and the resulting reduction in financial assets in the amount of € 3.0 million. The latter effect and a payment of receivables from 2014 due from affiliated companies received during the fiscal year (€ 10 million) led to a reduction of receivables due from affiliated companies by € 7.0 million.

ACCRUALS AND LIABILITIES

As of December 31, 2015, accruals amounted to € 27.2 million compared to € 20.9 million in the previous year. The increase in tax provisions from € 0.8 million to € 1.5 million was a result of the positive net profit. The rise in other accruals from € 20.1 million to € 25.7 million was mainly caused by higher accrued expenses for outstanding invoices for external laboratory services (2015: € 13.8 million; 2014: € 10.5 million) as well as provisions for onerous contracts and lease obligations for office premises, which will not be used anymore in the future (2015: € 1.3 million; 2014: € 0.0 million).

Deferred income decreased significantly as a result of the recognition of previously deferred revenues from € 52.6 million as of December 31, 2014 to € 0.6 million as of December 31, 2015. This movement was primarily influenced by the termination of the collaboration with Celgene in March 2015.

STOCKHOLDERS' EQUITY

On December 31, 2015, equity amounted to € 349.5 million, compared to € 337.7 million as of December 31, 2014.

As of December 31, 2015, the Company's common stock, including treasury stock, had increased by € 80,848 to € 26,537,682 from its level of € 26,456,834 as of December 31, 2014. Each no-par value bearer share is entitled to one vote. Common stock increased by € 80,848 or 80,848 shares as a result of the exercise of 80,848 convertible bonds granted to the Management Board and the Senior Management Group. The weighted-average exercise price for each convertible bond exercised amounted to € 16.79.

Compared to December 31, 2014, the number of authorized ordinary shares increased from 4,957,910 to 13,206,421. This resulted from the cancellation of Authorized Capital 2013-I totaling € 2,335,822 and the creation of new Authorized Capital 2015-I of € 10,584,333 at the Annual General Meeting on May 8, 2015. With the Supervisory Board's consent, the Management Board is authorized under Authorized Capital 2015-I to increase the Company's common stock on one or more occasions by up to € 10,584,333 by issuing up to 10,584,333 new, no-par value bearer shares until and including the date of April 30, 2020.

Compared to December 31, 2014, the number of ordinary shares of conditional capital decreased from 7,166,848 to 7,086,000 as a result of the exercise of 80,848 conversion rights in 2015. Entry in

the commercial register of the reduction in Conditional Capital through the exercise of 80,848 conversion rights was applied for in January 2016.

As of December 31, 2015, the value of the Company's treasury stock increased from € 14,251,962 as of December 31, 2014, to € 15,827,946. This increase was mainly the result of MorphoSys's repurchase of 88,670 of its own shares on the stock exchange. The repurchase totaling € 5,389,984 was carried out at a weighted-average share price of € 60.79. The rise in treasury stock was offset by the transfer of 104,890 own shares to the Management Board and Senior Management Group from the 2011 long-term incentive plan (LTI plan), totaling € 3,816,947. The four-year vesting period for this LTI program expired on June 1, 2015. As a result, the number of treasury shares as of December 31, 2015 amounted to 434,670.

As of December 31, 2015, additional paid-in capital amounted to € 295.2 million compared to € 294.0 million as of December 31, 2014. The increase of € 1.2 million was caused by additions in connection with the exercise of convertible bonds.

Other earnings reserves decreased from € 5.4 million as of December 31, 2014, to € 2.2 million as of December 31, 2015. In 2015 an amount of € 5.3 million (2014: € 7.7 million) was withdrawn from other earnings reserves and settled with the difference from purchase of treasury stock due to the repurchase of the Company's own shares for long-term incentive programs (LTI). The transfer of 104,890 shares to the beneficiaries of the LTI program 2011 had an increasing and thus offsetting effect. The vesting period for this program expired on June 1, 2015. Furthermore, € 11,088,094 from the net profit for the 2015 financial year has been allocated to other earnings reserve.

The net profit for the year 2015 in the amount of € 13.6 million was allocated in the amount of € 11.1 million to other earnings reserve and the remaining net profit in the amount of € 2.6 million was carried forward together with the accumulated income of 2014 in the amount of € 12.3 million. As of December 31, 2015 accumulated income amounted to € 14.9 million.

Financing

As of December 31, 2015, the Company's equity ratio amounted to 92 % compared to 82 % on 31 December 2014. Currently, the Company is not financed by debt.

Off-Balance Sheet Financing

MorphoSys does not use any off-balance sheet financing instruments such as the sale of receivables, asset-backed securities, sale-and-leaseback transactions, or contingent liabilities in combination with non-consolidated special-purpose entities.

Credit Rating

Currently, MorphoSys is not being assessed for its creditworthiness by any agency.

Comparison of Actual Business Results to Forecasts

In the 2015 reporting year, MorphoSys demonstrated solid financial performance. The revenue and earnings targets published at the start of the financial year were revised in March 2015 following the termination of the collaboration with Celgene to develop MOR202. The full recognition of hitherto deferred revenue from the original agreement prompted an upward revision in the revenue and earnings forecasts. The related projected costs for proprietary research and development were also raised.

A detailed comparison of our forecasts with the actual results can be found in Table 3.

TAB. 3: COMPARISON OF ACTUAL BUSINESS RESULTS TO FORECASTS

	2015 Targets	2015 Results
Financial targets	Revenue between € 56 million and € 61 million	Revenue of € 102.7 million
	Expenses for proprietary product and technology development of € 48 million to € 58 million	Expenses for proprietary product and technology development of € 54.9 million
	Result from ordinary activities of € -22 million to € -32 million	Result from ordinary activities of € 17.5 million
Proprietary Development	<p>MOR208</p> <ul style="list-style-type: none"> Continuation of the phase 2 study in NHL and B-ALL Initiation of further combination studies in NHL <p>MOR202</p> <ul style="list-style-type: none"> Continuation of the phase 1/2a study in additional cohorts and combination studies with pomalidomide and lenalidomide <p>MOR209/ES414</p> <ul style="list-style-type: none"> Initiation of phase 1 trial in mCRPC under the cooperation with Emergent 	<p>MOR208</p> <ul style="list-style-type: none"> Presentation of clinical data from the ongoing phase 2a study in NHL at the ASCO Annual Meeting in May/June, the EHA conference in June and the annual ASH meeting in December Planned initiation of further combination studies in 2016 based on data presented in the 2015 financial year <p>MOR202</p> <ul style="list-style-type: none"> Presentation of clinical data from the ongoing phase 1/2a study at the ASCO Annual Meeting in May/June, the EHA conference in June and the annual ASH meeting in December Initiated treatment of additional patient groups in combination with pomalidomide or lenalidomide shortly after financial year end <p>MOR209/ES414</p> <ul style="list-style-type: none"> Initiation in March 2015 of a phase 1 trial in up to 130 patients suffering from mCRPC
Partnered Discovery	Progress of partnered development programs	<ul style="list-style-type: none"> Net addition of five partnered programs Initiation of a phase 2 clinical study with the HuCAL antibody guselkumab (CNT01959) in psoriasis arthritis by partner Janssen Initiation of a phase 1 trial of a HuCAL antibody in the field of blood disorders by partner Novartis Exercise of the option by partner Heptares to initiate its own therapeutic antibody program under an existing research alliance Initiation of a phase 1 trial of the HuCAL antibody BAY1093884 in the field of bleeding disorders by partner Bayer HealthCare

The Management Board's General Assessment of Business Performance

The 2015 financial year marked a successful year for the Company overall, even though not all targets were reached. We made solid progress in growing our pipeline and raised our number of development programs to 103 by the end of 2015 (2014: 94).

The Company's revenue increased to € 102.7 million in the 2015 financial year, and the result from ordinary activities grew to € 17.5 million. The rise in revenue and the positive operating result were mainly driven by the recognition of deferred revenues arising from the termination of the Celgene collaboration. The equity ratio of 92 % and liquidity of € 286.6 million underscore the Group's very sound financial position.

The number of development programs in the Proprietary Development segment increased to 14. Promising results from preclinical and clinical studies of MOR202 and MOR208 were presented at major medical conferences. MorphoSys is developing both of these programs independently after the collaboration with Celgene to develop MOR202 ended in March. In the first quarter, MOR209/ES414 commenced clinical development, and GSK announced the initiation of an additional study of MOR103 in osteoarthritis. The acquisition of Lanthio Pharma added four development candidates to MorphoSys's portfolio. Collaborations with Immatics, Heptares and G7 give the Company broader access to innovative targets to be validated as part of our R&D activities.

Solid progress was also made in our Partnered Discovery segment. The number of programs in this segment increased to 89, with three of these programs in clinical phase 3 studies, nine antibody programs in clinical phase 2 and a further nine development candidates in clinical phase 1.

Accounting Judgements

In preparing the 2015 annual financial statements, no accounting policies or accounting options were used that differ from those in prior years and that, if used or exercised differently, would have had a material effect on the Company's net assets, financial position or balance sheet structure. Information on the effects of the Management Board's use of estimates, assumptions and judgments can be found in the Notes.

Outlook and Forecast

MorphoSys is increasingly focusing on the development of its proprietary therapeutic antibodies. These activities are supplemented by numerous partnered programs. By maximizing the number of development programs, MorphoSys raises its future growth potential and limits the overall risk inherent in developing novel drugs.

General Statement on Expected Development

MorphoSys's strategic focus is on the development of a broad and sustainable pipeline of innovative drug candidates, both on a proprietary basis and with partners. The development of drug candidates is based on MorphoSys's established and proven technologies and the Company continues to invest in their development. In the therapeutic area, the commercialization of these technologies provides contractually secured cash flows from long-term partnerships with major pharmaceutical companies. MorphoSys also benefits from the successful development of drug candidates through milestone payments and royalties from product sales as soon as the drugs are commercialized.

Revenues from R&D funding, license and milestone payments and a strong liquidity position enable the Company to build its commercial operations by investing in the development of proprietary drugs and technologies. The Management Board expects the following developments in 2016:

- Higher investment in proprietary product candidates by initiating further clinical studies.
- Continued expansion of proprietary development activities through in-licensing and possibly also through company acquisitions as well as co-development or new proprietary development activities.
- New strategic agreements based on proprietary technologies focused on gaining access to innovative target molecules and compounds.
- Investments in technology development to maintain the Company's lead in the field of antibodies and related technologies, such as lanthipeptides.
- Expansion of the therapeutic antibody pipeline as part of the partnership with Novartis.

Strategic Outlook

MorphoSys's business model is based on its proprietary technologies, including the HuCAL and Ylanthia antibody libraries, the Slonomics platform and the lanthipeptide library. We use these technologies to develop innovative drug candidates so that patients have access to better treatment alternatives. MorphoSys's management intends to continue expanding the Company's proprietary portfolio of drug candidates and increase its investment in its proprietary development portfolio. MorphoSys will also continue to concentrate on using and expanding its technologies in fast-growing, innovation-driven areas of the life sciences sector.

In the Proprietary Development segment, MorphoSys develops proprietary therapeutic antibodies and peptides, primarily in the areas of inflammatory diseases and oncology. Decisions to enter into alliances to develop MorphoSys's proprietary candidates will be made on an individual basis. In some cases projects can remain in proprietary development for a longer period – even until their commercialization.

The Partnered Discovery segment generates contractually secured cash flows based on long-term cooperation agreements. The partnership with Novartis is responsible for the majority of development candidates. This partnership is scheduled to end in December 2017 with an option for Novartis to extend it for an additional two years. The development of candidates from this partnership and others continues even after the contract expires and can lead to further milestone payments. The Company's broad pipeline promises an impressive number of market-ready, therapeutic antibodies in the coming years and financial participation in the form of royalty payments from product sales. Results from phase 3 trials of two product candidates are expected in 2016. If the study results are positive, the antibodies could receive approval as early as 2016/2017.

For the foreseeable future, MorphoSys plans to invest a substantial portion of its financial resources in proprietary R&D. Management believes that this is the best way to expand the Company's portfolio of proprietary development candidates and strengthen its technology platform and thereby, maximize shareholder value.

Expected Economic Development

The International Monetary Fund (IMF) expects the growth of the global economy in 2016 to be higher than in 2015 but, because of increasing global risk, growth is anticipated to be lower than previously expected. In its January forecast, the IMF estimates growth will reach 3.4 % in the current year (2015: 3.1 %), whereas in its fall 2015 forecast the IMF still expected growth of 3.6 %. The reasons given for the higher level of economic uncertainty at the start of the year were the ongoing slowdown in China and several other emerging markets, the sharp drop in oil and commodity prices and the unpredictable impact of the refugee crisis. The global economy and the capital markets were also shaken by the massive declines in stock markets in the first few weeks of the year.

Based on reduced growth prospects in the emerging economies, the economic outlook was further reduced by other institutions. In its latest update from February 2016, OECD reduced its estimate for global growth to 3.0 % (previously 3.3 %).

The advanced economies should grow by a total of 2.1 % on average in 2016 compared to the previous year (2015: 1.9 %). The IMF expects Germany to grow 1.7 % in 2016 (2015: 1.5 %), which is the average rate expected for the eurozone (2016: 1.7 %, 2015: 1.5 %), but below European countries such as Spain and Great Britain. Europe's growth is expected to be more consumer-led rather than export-led because the very low level of inflation coupled with sluggish growth in the emerging markets will pressure exports. The US economy is expected to remain more robust and could reach growth of 2.6 % (2015: 2.5 %). In 2016, the emerging markets are expected to achieve overall growth of 4.3 % following 4.0 % in 2015 but will still be pressured by weaker growth in China, which the IMF has estimated at 6.3 % (2015: 6.9 %). There is also some concern about Brazil, which is expected to remain in a deep recession (2016: -3.5 % versus 2015: -3.8 %), and Russia, whose economy is also expected to shrink (2016: -1.0 % versus 2015: -3.7 %).

Expected Development of the Life Sciences Sector

After four years (2012 - 2015) of outstanding performance for biotechnology shares, during which the NASDAQ Biotechnology Index more than tripled, the industry news service BioCentury expects the

sector's performance in 2016 to be more in line with the overall market. The sector's volatility is expected to increase because of potential discussions during the US presidential campaign on price controls in the pharmaceutical industry. The sector has already come under massive pressure on the stock markets in early 2016 with the NASDAQ Biotechnology Index falling to a 15-month low. The significantly greater volatility of the capital markets means that it has become more difficult to forecast development of the sector's financing conditions in 2016.

Fundamentally, the sector is still on a strong footing. Scientific advances and a growing understanding of biological relationships, such as those in combination therapies in the area of immuno-oncology, coupled with a continued high unmet medical need particularly in the areas of cancer and rare diseases, lead industry experts to expect more innovation and new drug approvals. After an exceptional year 2015 in which the FDA granted 45 approvals, BioCentury has already listed a potential 35 approvals for the year 2016.

Expected Business Development

MorphoSys will use the majority of the proceeds from the Novartis contract, which are guaranteed until at least the end of November 2017, and its strong liquidity position to concentrate on expanding and increasing the value of its development pipeline.

The Company expects the Partnered Discovery segment to start ten new partnered programs every year on average until the end of 2017. The customary attrition rates in drug development mean that the net growth of the overall pipeline, however, will be somewhat lower. The Company aims to enter new partnerships with pharmaceutical and biotechnology companies based on the Ylanthia technology. These collaborations and those with academic institutes are also expected to provide access to new target molecules and technologies.

In a best-case scenario, the Company may see the first approval of a therapeutic antibody from one of its partnerships in 2016. Results from a phase 3 study of bimagrumab (BYM338) are expected in the first half of 2016. Novartis is solely responsible for the development of this antibody and recently announced that it will seek approval in 2016 if the study results are positive. An application for approval might also be submitted for guselkumab (CNT01959), being developed by Janssen.

Expected Personnel Development

The number of employees in the Proprietary Development and Partnered Discovery segments is expected to remain stable during the 2016 financial year.

Future Research and Development

The Company's R&D budget for proprietary drug development will rise significantly again in the 2016 financial year compared to the prior year. The majority of investment will fund the clinical development of the most advanced drug candidates MOR208, MOR202 and MOR209/ES414. Further investment is planned in the areas of target molecule validation and antibody and technology development.

The steps planned for the Company's proprietary portfolio in 2016 are expected to include:

- Initiation of the L-MIND combination study of MOR208 in combination with lenalidomide in DLBCL
- Initiation of a safety evaluation of MOR208 in combination with bendamustine (B-MIND); this study is expected to be transitioned into a pivotal phase 3 study in 2017 in which MOR208 in combination with bendamustine is tested in comparison to rituximab and bendamustine
- Initiation of the combination study of MOR208 in combination with idelalisib in CLL
- Continuation of the phase 1/2a study of MOR202 with additional patients and a recommended dosage of 16 mg/kg alone and in combination with pomalidomide and lenalidomide
- Continuation of an adapted phase 1 trial of MOR209/ES414 in mCRPC as part of the cooperation with Emergent
- Continuation and initiation of a phase 1 study of the MOR106 co-development program with Galapagos
- Initiation of a phase 1 study of MOR107
- In-licensing of one or more target molecules or compounds to reinforce the proprietary portfolio
- Further development of the lanthipeptide technology
- Initiation and continuation of new development programs in the field of antibody identification and preclinical development

Expected Development of the Financial Position and Liquidity

MorphoSys has a solid financial base and predictable revenues that stem mainly from its collaboration with Novartis. Additionally, MorphoSys receives performance-based milestone payments for the successful development of product candidates. Based on these factors, the Management Board expects revenue for the 2016 financial year in the range of € 44 million to € 49 million. This forecast does not include any additional revenue from new collaborations.

Based on management's current projections, R&D expenses for proprietary programs and technology development in 2016 should be in the range of € 73 million to € 80 million. MorphoSys plans to initiate further clinical studies in addition to continuing the current ongoing studies for MOR208, MOR202 and MOR209/ES414. R&D expenses in the Partnered Discovery segment are expected to be at roughly the same level as the previous year.

The Company's result from ordinary activities in 2016 is expected to be in the range of € -58 million to € -68 million. This guidance for 2016 does not include any additional development costs for newly in-licensed programs.

In the years ahead, there will be an increasing impact on net assets and the financial position from one-time events, such as in-licensing and out-licensing proprietary product candidates, major milestone payments as well as royalties related to HuCAL or Ylanthia antibodies that reach the market. Just as failures in drug development can have a negative impact on MorphoSys AG, these types of events can lead to a significant change in our financial targets. Near-term revenue growth depends on the Company's ability to enter new partnerships and/or out-license proprietary programs. Royalties for commercialized products could start contributing to revenue growth as of 2017.

At the end of the 2015 financial year, MorphoSys had liquid funds of € 286.8 million (December 31, 2014: € 337.4 million). This decline resulted from investments in proprietary research and development and the acquisition of the remaining shares in Lanthio Pharma B.V. The projected loss in 2016 will cause the liquidity position to decline even further. MorphoSys considers its solid cash position as an advantage that can be used to accelerate its future growth through strategic activities, such as in-licensing compounds and investments in promising companies. The funds can also be used for increased research and development in the Company's portfolio of drug candidates.

DIVIDEND

Based on German accounting principles, MorphoSys's financial statements report an accumulated profit that could be used for dividends. Based on the expected losses in 2016, the Company no longer expects to report any accumulated income. MorphoSys will continue investing in the development of proprietary drugs and intends to do further in-licensing and acquisitions so that it can continue creating shareholder value and open up new growth opportunities. For this reason, the Company does not expect to pay a dividend in the foreseeable future.

This outlook is based on Management Board assumptions and factors that were known at the time of preparing this Annual Report that could influence the Company in 2016 and beyond. Future results may differ materially from the expectations described in the section "Outlook and Forecast." Key risks are described in the risk report.

Shares and the Capital Market

MorphoSys's share price was highly volatile during the reporting year. The year's high of €78 was reached on January 8, 2015 and the year's low of €52.52 was set in early November 2015. The main reason for the poor share price performance was the termination of the cooperation with Celgene. The shares closed the financial year at €57.65, giving the Company a market capitalization of € 1.53 billion. MorphoSys's share price performance lagged behind the performance of the benchmark indices, which increased 34 % (TecDAX) and 11 % (NASDAQ Biotech Index) in the 2015 financial year.

FIG. 3: PERFORMANCE OF THE MORPHOSYS SHARE IN 2015 (JANUARY 1, 2015 = 100 %)



FIG. 4: COMPARISON OF THE MORPHOSYS SHARE PRICE DEVELOPMENT WITH BENCHMARK INDICES BETWEEN 2011 AND 2015 (JANUARY 1, 2011 = 100 %)



Stock Market Development

For global stock markets 2015 was a turbulent year. The DAX, Germany's leading index, closed the year with sharp price gains for the fourth consecutive year. As in previous years, performance in Germany was supported by lower interest rates that offset the negative effects of falling oil prices and a slide in the Chinese stock market. After a six-year rally in the US Dow Jones Index that ended in 2014, US stock markets had to accept a decline in the 2015 reporting year.

MorphoSys's investor relations activities in 2015 continued to target Europe and the USA. There continued to be tremendous interest in biotechnology shares from US investors.

Liquidity and Index Membership

In 2015, stronger interest in MorphoSys shares boosted their year-on-year average daily trading volume across all trading platforms in the regulated market to € 14.9 million (2014: € 12.0 million). The trading volume of the shares traded on the TecDAX, the index for the 30 largest technology stocks on the Frankfurt Stock Exchange, increased by almost 15% on average. By the end of 2015, MorphoSys improved its standing in the TecDAX and was ranked 8th in terms of trading volume (year-end 2014: 9th). In terms of market capitalization, MorphoSys was ranked 10th (year-end 2014: 8th).

In addition, the average daily trading volume in MorphoSys shares on the alternative trading platforms ("dark pools") in 2015 amounted to approximately 89,800 shares valued at € 5.8 million (2014: approx. 64,400 shares valued at € 4.6 million).

Common Stock

The exercise of 80,848 convertible bonds in 2015 prompted a rise in the Company's common stock to 26,537,682 shares or € 26,537,682.00.

MorphoSys issued stock options and non-interest-bearing convertible bonds under its employee incentive program until 2010. In 2011, the Company introduced a performance-based long-term incentive (LTI) plan. The Company repurchases shares annually for this plan. A detailed description of this program can be found in the Corporate Governance Report contained in this Annual Report. In April 2015, 40,425 performance shares were issued to the Management Board and the Senior Management Group under the LTI plan. For more information, please refer to the Notes. Stock options were not issued to the Management Board, members of the Senior Management Group or the workforce in the reporting year.

TAB. 4: KEY DATA FOR THE MORPHOSYS SHARE (AS OF DECEMBER 31)

	2015	2014	2013	2012	2011
Total Stockholders' Equity (in million €)	349.5	337.7	346.4	192.1	189.8
Number of Shares Issued (number)	26,537,682	26,456,834	26,220,882	23,358,228	23,112,167
Market Capitalization (in million €)	1,530	2,027	1,464	685	405
Closing Price in € (Xetra)	57.65	76.63	55.85	29.30	17.53
Average Daily Trading Volume (in million €) ¹	14.9	11.9	6.9	1.9	1.8
Average Daily Trading Volume (in % of Share Capital) ¹	0.87	0.65	0.59	0.38	0.38

¹Figures of 2011 only include trading on Xetra and German regional exchanges.

International Investor Base

Various voting right notifications were issued during the reporting year in accordance with Sections 21, 25 and 26 of the German Securities Trading Act (WpHG). These notifications were published on the MorphoSys website and can be found under Media & Investors – Stock Information – Shareholder Structure.

According to the definition given by the Deutsche Börse, 98.3 % of MorphoSys AG's shares were in free float at the end of the reporting year. Novartis Pharma AG (Basel, Switzerland) held roughly 4.1 % and Celgene Netherlands II BV (Amsterdam, the Netherlands) held about 3 % of the shares. International institutional investors continued to hold approximately 70 % of the shares. According to the latest voting right announcements, our largest single shareholders were Flossbach von Storch Invest S.A. (Luxembourg) with 5.8 %, Baillie Gifford & Co. (Edinburgh, UK) with 5.0 %, Templeton Investment Counsel, LLC (Wilmington, DE, USA) with 3.1 %, Templeton Global Advisors Limited (Nassau, Bahamas) with 3.1 %, and Invesco Holding Company Limited (Henley-on-Thames, UK) with 3.0 %.

An overview of the current shareholder structure can also be found on the Company's website (Media & Investors – Stock Information – Shareholder Structure).

Annual General Meeting

The Management and Supervisory Boards of MorphoSys AG welcomed shareholders to the Company's 17th Annual General Meeting in Munich on May 8, 2015. The shareholders and proxies attending represented more than 50 % of the common stock of MorphoSys AG (2014: 47.8 % of the common stock). All 15 agenda items submitted for resolution were adopted by a clear majority. This year's Annual General Meeting is scheduled for June 2, 2016 and will take place again in Munich.

Investor Relations Activities

During the 2015 financial year, MorphoSys continued to strengthen its communication with the capital markets. The Company took part in 20 international investor conferences and held several road shows and private meetings in both Europe and the USA. There continued to be strong interest from specialized healthcare investors headquartered in the USA. With the Company's publication of the annual, half-yearly and quarterly results, the Management Board held conference calls to report past and expected business developments and answer questions from analysts and investors.

In private meetings, investors were not only interested in the general progress of the drug pipeline but were especially interested in the development of the proprietary portfolio, which had a total of 14 active programs at the end of the reporting year.

Ten analysts were covering MorphoSys shares at the end of 2015.

TAB. 5: ANALYST RECOMMENDATIONS (AS OF DECEMBER 31, 2015)

Buy/Overweight	Hold	Sell	n/a
5	4	0	1

Buy/Overweight; Hold; Sell; n/a = not available (no rating)

For the second consecutive year, MorphoSys was awarded the first prize in the "Investors' Darling 2015 - Capital Market Strategist of the Year" competition for the TecDAX. The Handelshochschule Leipzig, supported by the Manager Magazine, evaluated the capital market communications of all index-listed stock companies. The evaluation included the quality of standard financial reporting, the IR website, investor presentations and capital market performance.

Detailed information on the MorphoSys share, financial ratios, the Company's strategic direction and the Company's recent developments can be found on the Company's website (Media & Investors).

Sustainable Business Development

At MorphoSys, sustainability is a value firmly anchored in the Company's corporate culture to ensure it acts in an environmentally and socially responsible manner for the benefit of present and future generations. Complying with the highest ethical, social and environmental standards goes hand in hand with long-term economic success. This section describes the measures taken in the reporting year to ensure the Company meets these standards. To ensure compliance with these standards, MorphoSys uses selected non-financial performance indicators in addition to the financial performance indicators discussed in the section "Analysis of Net Assets, Financial Position and Results of Operations". The Corporate Governance Report details MorphoSys's management structure and corporate governance practices.

Sustainable Corporate Management

Sustainability is a hallmark of MorphoSys's corporate management and plays a major role in the pursuit of corporate goals and contributing value to society. This applies to the short- and long-term objectives of all levels of management and is reflected in the Company's core task of developing even more effective and safer drugs. To ensure lasting business success, the Company incorporates environmental and social responsibility into its daily business and bases its business model on sustainable growth that protects the interests of its shareholders, creates long-term value and weighs the Company's actions in terms of their impact on the environment, society, patients and employees. Internally, this business model is reflected in a progressive human resources policy that takes employees' needs seriously.

The Company's long-term and sustainable business success rests on innovative research and development to meet the major challenge of providing comprehensive healthcare in the future. Because of a growing and aging population, biotechnology-derived drugs represent a growing portion of the overall healthcare system. In the opinion of management, all aspects of the current business model of MorphoSys support the sustainable investment interests of its shareholders.

A comprehensive risk management system ensures that factors that could threaten sustainable corporate performance are identified early and corrected if necessary. MorphoSys only assumes risk when there is an opportunity to increase the Company's enterprise value. At the same time, a great effort is made to systematically identify new opportunities and leverage its business success (more information on risks and opportunities can be found on p 49).

Company-wide compliance with the sustainability strategy is monitored by the entire Management Board, chaired by the Chief Financial Officer. The Code of Conduct's credo, which is available in German and English and applies to employees company-wide, regulates the strategy's implementation in daily operations. Employee training on general and specific sections of the Code of Conduct is conducted regularly to ensure that the guidelines are understood and implemented. The Code of Conduct Committee consists of four members (a Chairperson and three other members) and is available to employees at all times. A Compliance Officer coordinates MorphoSys's Compliance Management System. Detailed information on this subject can be found on page 83 of the Corporate Governance Report. Employees can ask for advice on all matters concerning legal compliance and corporate responsibility and report any suspected violations. This may be done on an anonymous basis, if preferred. Violations are systematically pursued and appropriate remedial action is taken. No such violations have been reported to date, and the Company believes it is unlikely in the future that any serious offenses would occur that could materially affect the Company's net assets, financial position and results of operations.

Detailed information on the KPIs for sustainable development used by MorphoSys is provided in the section “Strategy and Management” (p 3). The following report on the implementation of MorphoSys’s corporate strategy and the Company’s sustainable business development is based on the recommendations of the German Sustainability Code originally presented by the Council for Sustainable Development in October 2011 and updated in January 2015.

Non-Financial Performance Indicators

ETHICAL STANDARDS AND COMMUNICATION WITH STAKEHOLDERS

The highest scientific and ethical principles for conducting human clinical trials and animal testing are anchored in MorphoSys’s Code of Conduct, which is modeled after the “Declaration of Helsinki” of the World Medical Association (WMA). Strict adherence to applicable national and international regulations is mandatory for all MorphoSys employees and sub-contractors.

Because European legislation prescribes the performance of animal testing to determine the toxicity, pharmacokinetics and pharmacodynamics of drug candidates, the biotechnology industry cannot forgo this type of testing. Animal studies for MorphoSys are given to contract research organizations (CROs) because the Company does not have laboratories suitable for this type of research. In the course of product development, MorphoSys contracts out animal studies according to the principles of good animal welfare and the respectful treatment of animals as set out in national and European regulations. MorphoSys introduced a quality assurance and control system with written standard operating procedures (SOPs) that are continually updated to ensure that the Company only contracts with contract research organizations that adhere to local, national and international regulations for animal studies. Studies are carried out only after the approval of the relevant ethics committee and under the constant supervision of a veterinarian.

Institutes cooperating with MorphoSys must comply with ethical principles and legal regulations for research involving animals and, within certain circumstances, have the Good Laboratory Practice (GLP) quality assurance certification. This is how MorphoSys ensures it fulfills its moral obligation for the respectful treatment of animals. The Company also conducts on-site inspections of the research institute’s study centers that include a review of the staff’s skills and training as well as animal welfare. These inspections are carried out during the audits conducted prior to contract awards.

The Declaration of Helsinki mentioned above also defines the ethical principles MorphoSys follows when dealing with healthy volunteers and patients in clinical trials. MorphoSys carries out clinical trials in accordance with Good Clinical Practice (GCP), and testing is conducted in compliance with the relevant provisions on privacy and confidentiality. Protecting the rights, safety and welfare of all clinical trial participants has the highest priority at MorphoSys. Clinical trials are initiated only after the approval of the relevant independent ethics committee and/or institutional review board. Before participating in a clinical trial, each participant must voluntarily submit an informed consent.

The goal of MorphoSys’s business activities is to improve patients’ health through its scientific work. The Company can only achieve this goal if its activities are socially accepted. Achieving this acceptance requires continuous and open dialog with stakeholders so that MorphoSys can understand potential concerns with regard to biotechnological approaches and explain the Company’s activities and their benefits. To this end, MorphoSys is active in a variety of ways that range from participation in public information events to active support of the Communication and Public Relations task force of BIO Deutschland e.V.

PROCUREMENT

The Central Purchasing and Logistics Department is responsible for purchasing external goods, consulting and services for MorphoSys in specified areas. New systems and processes were introduced during the reporting year to improve efficiency and reduce purchasing costs. This department reinforced MorphoSys's position in key areas by introducing special framework agreements and establishing preferred partnerships with suppliers. All suppliers selected by MorphoSys agree to comply with all anti-corruption standards, human rights practices and internationally recognized labor standards and data protection laws.

ENVIRONMENTAL PROTECTION AND OCCUPATIONAL SAFETY

Because the biotechnology industry is subject to stringent regulatory requirements, environmental protection and occupational safety are important tasks of management. The Environmental Protection and Occupational Safety Department monitors compliance with all relevant requirements. In addition to strict compliance with all legal requirements, MorphoSys makes a tremendous effort to maintain sustainable environmental management and the effective protection of its employees.

For the seventh consecutive year, the Company took part in a survey conducted by the Carbon Disclosure Project (CDP), an independent non-profit organization whose aim is to reduce greenhouse gases and ensure the sustainable use of water. As in previous years, the study results showed that there is no need for the Company to take any action. The results are used for the current monitoring of consumption and provide an additional control indicator.

MorphoSys was certified for the sixth consecutive year as a "bicycle-friendly company" for its participation in the "Bike to Work" initiative sponsored by the German Bicycle Club (ADFC) and a German health insurance company. MorphoSys also offers employees an extensive range of preventative healthcare options, such as autogenic training, ball sports, weight training and marathons.

With one reportable occupational accident in the reporting year, the number of accidents remained below the previous year's low level of two accidents and placed the ratio of reportable accidents at MorphoSys significantly below the average ratio in Germany (22.3 reportable occupational accidents per 1,000 full-time employees in the latest survey conducted in 2014).

MorphoSys tries to minimize the amount of harmful substances used in its laboratories. Only those who are specially trained are allowed to work with toxins. Work involving contagious pathogens can only be carried out in secure laboratories. MorphoSys only uses certified companies to dispose of chemical waste and also refrains from labeling antibodies with radioactive substances.

FIG. 5: OCCUPATIONAL SAFETY AT MORPHOSYS



QUALITY ASSURANCE

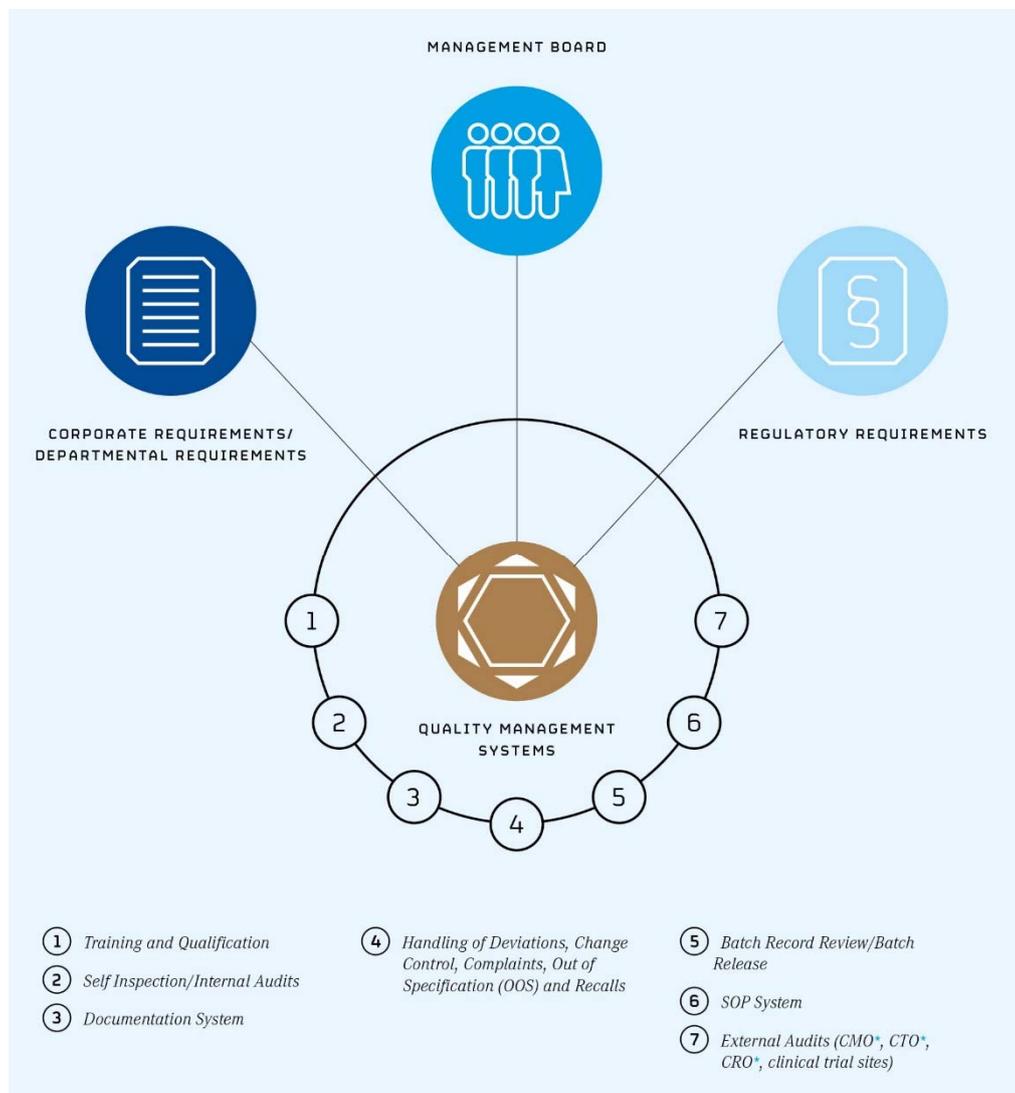
Biopharmaceutical companies bear a special responsibility to comply with the highest quality and safety standards. MorphoSys follows detailed procedures and stringent rules in drug development to avoid safety risks that may pose a threat to patients and, in turn, the Company's financial situation. This is how the Company ensures the quality of the investigational medicinal products, keeps risks to volunteers and patients in clinical studies as low as possible and assures that the data are measured reliably and processed correctly.

To control and regulate these processes in its own development department, MorphoSys created an integrated quality management system that complies with the principles of Good Manufacturing Practice (GMP), Good Clinical Practice (GCP) and Good Laboratory Practice (GLP). An independent quality assurance department ensures that all development activities comply with national and international laws, rules and guidelines. The Quality Assurance Manager reports to and coordinates activities with the Chief Executive Officer to meet the stringent quality standards, ensure product quality and data integrity as well as the safety of volunteers and patients in clinical trials.

The Quality Assurance Department prepares an annual review plan using a risk-based approach that is used when auditing the contract research institutes, suppliers and contract manufacturers selected for clinical studies as well as MorphoSys's own departments.

MorphoSys holds a manufacturing license for the approval of tested compounds for its proprietary development activities and was also issued a certificate from the German authorities of Upper Bavaria confirming the Company's compliance with Good Manufacturing Practice (GMP) standards and guidelines.

FIG. 6: QUALITY MANAGEMENT SYSTEM AT MORPHOSYS



INTELLECTUAL PROPERTY

Proprietary technology and the drug candidates derived therefrom are MorphoSys's most valuable assets. Therefore, it is critical to the Company's success that these assets are protected by patents and other appropriate measures so that they may be utilized exclusively and effectively.

MorphoSys's core technologies – HuCAL, Ylanthia, Slonomics and lanthipeptide technology – form the Company's basis for success. Each single technology is protected by a number of patent families that are complemented by various independent technology patents. Most of these have now been issued in all major markets, including Asian markets such as China.

Our development program portfolio was also strengthened this past financial year through the acquisition of Lanthio Pharma and the related development of the MOR107 drug candidate. This

program, like other proprietary drug programs, is protected by the appropriate patents and applications. The development candidates MOR103 (out-licensed to GSK) and MOR202 are each protected by more than half a dozen issued patents and patent applications that cover various aspects of the compounds and provide effective protection. The relevant patents and associated protection certificates are expected to expire in 2031. The MOR208 program is also protected by various patents scheduled to expire in 2029 (US patent) and 2027 (European patent), excluding any consideration given to possible regulatory or patent office extensions. Patent applications covering MOR209/ES414 are scheduled to expire in 2032 at the earliest, also without giving any consideration to possible regulatory or patent office extensions.

The programs developed in cooperation with or for partners are also fully secured by patent protection. MorphoSys's patent department works closely with the relevant partners. Patents covering all drug development programs have durations that significantly exceed those of the underlying technologies.

MorphoSys's patent lawyers are currently maintaining over 50 different patent families worldwide in addition to the numerous patent families the Company pursues with its partners. The patent portfolio is routinely analyzed and adapted to the Company's corporate strategy.

HUMAN RESOURCES

MorphoSys operates a progressive human resources policy for the long-term retention of professionally and personally suitable employees from a variety of fields. In an industry such as the biotechnology industry, in which success is largely dependent on the creativity and commitment of staff, employee retention and satisfaction are crucial success factors. At the end of the reporting year, MorphoSys had employees representing 29 different nationalities (2014: 22) employed at the Company for an average of 6.0 years (2014: 5.8 years).

FIG. 7: EMPLOYEES BY GENDER IN 2015

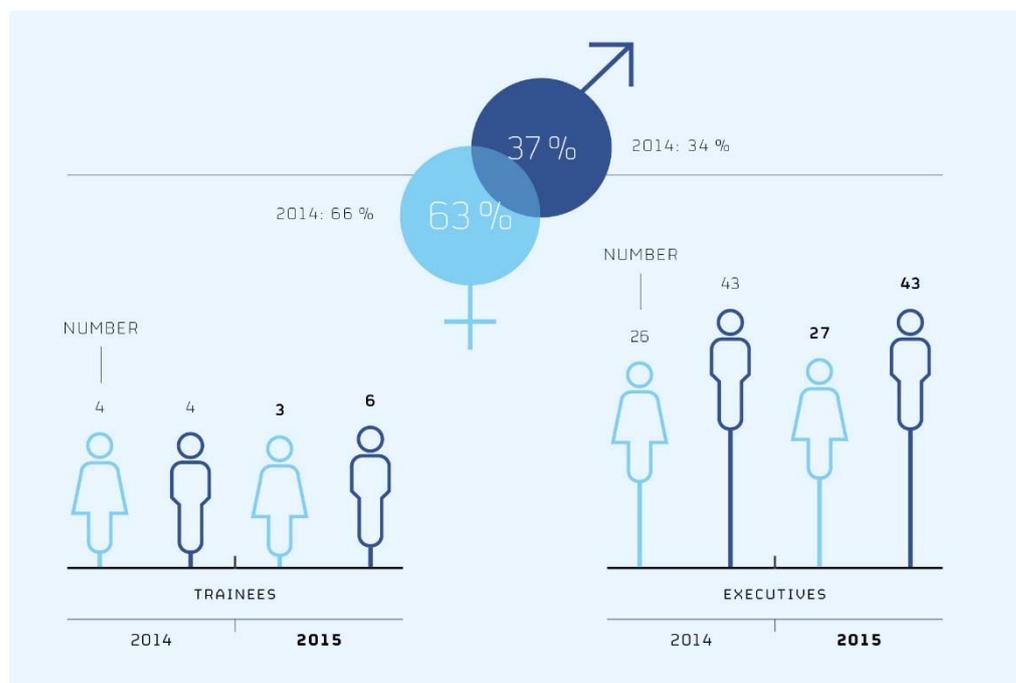
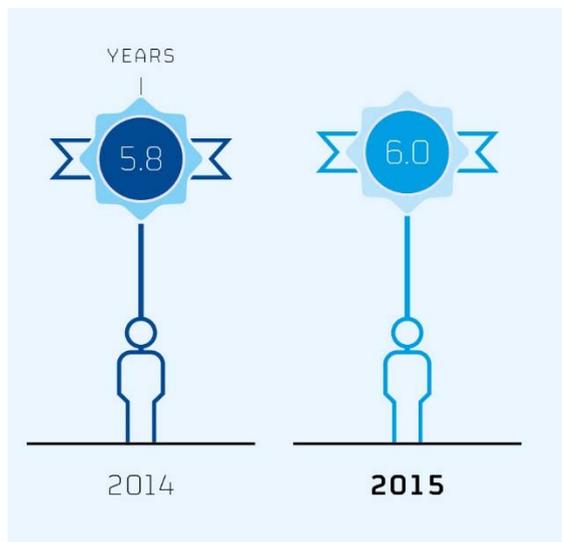


FIG. 8: SENIORITY

Employees have access to a broad range of in-house and external training programs, advanced education, specialized continuing education and development programs as well as industry conferences. MorphoSys promotes not only ongoing professional education but also the personal development of its employees and, in individual cases, even offers support through customized coaching.

MorphoSys requires all executives with management responsibility to take part in management seminars created exclusively for the Company. The training is based on several thematically related components that aim to provide not only theoretical knowledge but also prepare participants for the special demands placed on the Company's executives. As in previous years, all executives in the reporting year took part in an external workshop that fully addressed the challenges of management under the motto "Mission: Management."

MorphoSys also actively promoted the professional career paths of specialists and experts during the reporting year. The goal of this type of career promotion – also for those without personnel responsibilities – is to maintain flat hierarchies and put traditional management and professional career paths on an equal footing, also in terms of titles and compensation structures.

MorphoSys offers in-house vocational training to open up promising career prospects, particularly for young people. In awarding apprenticeships, the Company has been very successful in considering students who are equally suitable but do not have a diploma. On December 31, 2015, MorphoSys had three trainees in the IT department and six biology laboratory trainees (December 31, 2014: two IT trainees; six biology laboratory trainees).

Transparent communication among employees is a central aspect of MorphoSys's corporate culture as stated in the Company's credo. In meetings held every two weeks, the Management Board presents the Company's recent developments and answers questions, and employees are given the opportunity to present selected projects. Questions and feedback from the staff can be taken directly in the meeting or submitted in advance in writing – anonymously if desired. The Company's intranet was technologically and conceptually redesigned in the reporting year to streamline internal communication. The new design ensures that the Company is using the latest generation of document management systems and

applications. Employees have access to a broader range of information on external communication especially created for the internal target group.

To improve employer branding, MorphoSys started a Facebook career page in March 2015. The target group is potential applicants who want to gain a better understanding of the Company. Employee profiles and information on a variety of activities that extend beyond a typical workday are presented to give an authentic and positive impression of the Company.

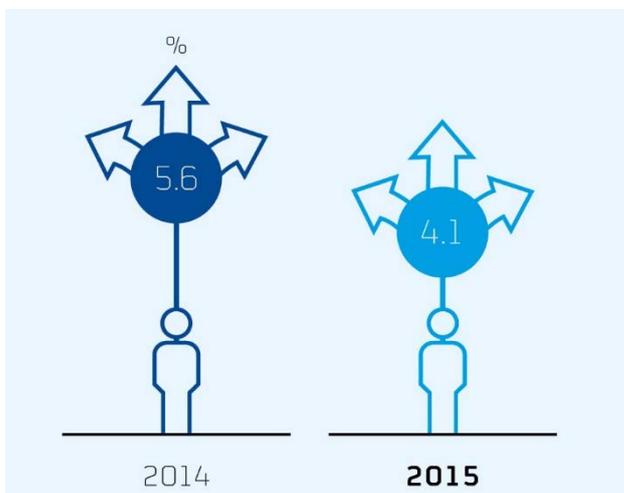
MorphoSys helps new employees become more familiar with the Company through extensive onboarding activities. Employees can learn about the Company's processes in two-day orientation seminars with presentations from all operating departments and by participating in laboratory tours.

Free sport and relaxation options, such as the recently introduced barbell weight training for strengthening the back muscles, soccer, volleyball and basketball, as well as autogenic training and massage for a fee promote health and socializing among employees across departments. All of the members of the Senior Management Group accepted an offer for free health checkups.

Feasible concepts for reconciling professional development with personal life are a strategic success factor for progressive companies and the reason MorphoSys has offered employees a diverse range of options, such as flexible work hours and special part-time employment arrangements, for many years. Modern IT equipment also allows employees to work during business trips or from their home office without interruption. MorphoSys makes it easier for employees with families to re-enter the workforce and combine work and family life. MorphoSys is also a co-founder of the "Biokids" kindergarten in Martinsried. Special arrangements for other services for working family members have also been made with a German service provider.

MorphoSys makes every effort to protect employees from workplace hazards and maintain their health through preventative measures. The extremely low number of occupational accidents illustrates the success of the Company's strict monitoring of all occupational protection and safety measures. During the reporting year, there was one reportable occupational accident. MorphoSys tries to maintain the low number of accidents and the highest level of employee safety and well-being through the help of policies and training from the Department of Health and Occupational Safety and by offering routine medical examinations. The continued decline in the fluctuation rate during the reporting year to 4.1 % (2014: 5.6 %) is another indication of employees' strong identification with the Company.

FIG. 9: LABOR TURNOVER RATE



Risk and Opportunity Report

MorphoSys operates in an industry characterized by constant change and innovation. The challenges and opportunities in the healthcare sector are influenced by a wide variety of factors. Global demographic changes, medical advances and the desire to increase quality of life provide excellent growth opportunities for the pharmaceutical and biotechnology industries; however, companies must also grapple with growing regulatory requirements in the field of drug development as well as cost pressure on the healthcare systems.

MorphoSys makes a great effort to identify new opportunities and to leverage its business success to generate a lasting increase in enterprise value. Entrepreneurial success, however, is not achievable without conscious risk-taking. Through its worldwide operations, MorphoSys is confronted with a number of risks that could affect its business. MorphoSys's risk management system identifies these risks, evaluates them and takes suitable action to avert risk and reach its corporate objectives. A periodic strategy review ensures that there is a balance of risk and opportunity. MorphoSys only assumes risk when there is an opportunity to increase the Company's enterprise value.

Risk Management System

The risk management system is an essential element of MorphoSys's corporate governance and ensures the Company adheres to good corporate governance principles and complies with regulatory requirements.

MorphoSys has a comprehensive system in place to identify, assess, communicate and deal with risks throughout the Company. The risk management system identifies risk at a very early stage, making it possible to take action to limit operating losses and monitor risks that could jeopardize the Company. All actions to minimize risk are assigned to risk officers, most of whom belong to MorphoSys's Senior Management Group.

All material risks in the various business segments and the Company as a whole are assessed using a systematic risk process that is carried out twice a year. Risks are assessed by comparing their quantifiable financial impact on MorphoSys with their probability of occurrence with and without initiating a risk mitigation process. This method is applied over a 12-month assessment period as well as a period of three years to include risks related to the Company's proprietary development that have longer durations. Additionally, there is a strategic risk assessment that spans more than three years. An overview of MorphoSys's current risk assessment activities can be found in Tables 6 and 7.

Risk managers enter their risks into a Company-wide IT platform that makes monitoring, analyzing and documenting risks much easier. Any changes can be tracked in this system. The risk management system distinguishes risk owners from risk managers. Risk owners are typically the relevant department heads (usually members of the Senior Management Group). Risk managers can be department employees when the risks that fall under their area of responsibility are included in the risk management system. Risk owners and risk managers are required to review and update their risks and assessments at half-yearly intervals. The process for this is coordinated and led by the Corporate Finance & Corporate Development Department, which is also responsible for monitoring the evaluation

process and summarizing the key information. The information is presented to the Management Board and Supervisory Board twice a year. The entire evaluation process is based on standardized forms and diagrams and includes a “heat map” as well as a detailed description of the major risks over one- and three-year time frames. The heat map graphically illustrates the effectiveness of the controls implemented for the five largest risks (one- and three-year time frames) so that the effect of the monitoring activities for various risks can be visualized. Risk management and monitoring activities are carried out by the relevant managers. The changes in the risk profile resulting from these activities are recorded at regular intervals. Risk owners and risk managers are also required to report risks outside of these periodic assessments when the risks exceed a certain threshold (ad hoc reporting). An audit by external consultants ensures the ongoing development of the risk management system and that any potential changes in the Company’s risk areas are promptly incorporated. The risk and opportunity management system combines a bottom-up approach for recognizing both short- and medium-term risks with a top-down approach in the area of strategic risks and opportunities. The top-down approach systematically identifies global strategic risks and opportunities and completes the overview of the overall risks and opportunities. Examples include environmental and industry risks, personnel risks and other risks that may result from the public perception of the Company. As part of the top-down approach, a workshop is held with selected members of the Senior Management Group in which the strategic risks and opportunities in different areas of the Company are assessed and discussed including those exceeding a period of three years. These workshops are held twice a year as part of the routine risk assessment. The evaluation process is solely qualitative. These risks are listed in Table 7.

Principles of Risk and Opportunity Management

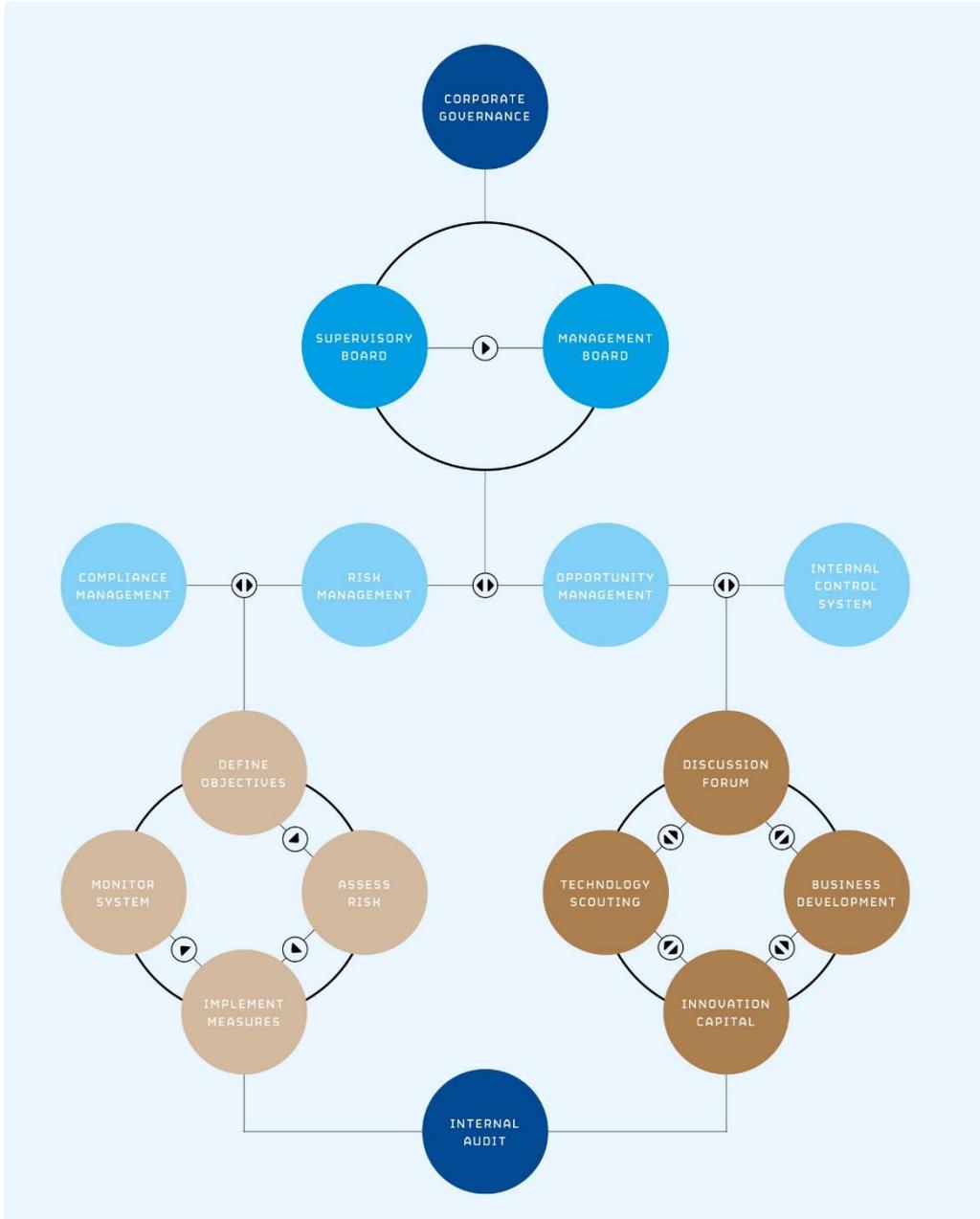
MorphoSys continually encounters both risks and opportunities. These could have a potential material impact on the net assets and financial position as well as a direct effect on intangible assets, such as the Company’s image in the sector or the Company’s trademark.

MorphoSys defines risk as an internal or external event that has an immediate impact on the Company and includes an assessment of the potential financial impact on the Company’s goals. There is a direct relationship between opportunity and risk. Seizing opportunities has a positive influence on Company goals, whereas risk emergence has a negative influence.

Responsibilities under the Risk and Opportunity Management System

The Management Board of MorphoSys AG is responsible for the risk and opportunity management system and ensures that all risks and opportunities are evaluated, monitored and presented in their entirety. The Corporate Finance & Corporate Development Department oversees the risk management process and reports to the Management Board regularly. The Supervisory Board has appointed the Audit Committee to monitor the effectiveness of the Company’s risk management system. The Audit Committee periodically reports its findings to the entire Supervisory Board, which is also directly informed by the Management Board twice a year.

FIG. 10: THE RISK AND OPPORTUNITY MANAGEMENT SYSTEM AT MORPHOSYS



Accounting-Related Internal Control System

MorphoSys employs extensive internal controls, Company-wide reporting guidelines as well as other measures, such as employee training and ongoing professional education with the goal of maintaining accurate bookkeeping and accounting and ensuring reliable financial reporting in the financial statements and Management Report. This essential component of accounting consists of preventative, monitoring and detection measures intended to ensure security and control in accounting and operating functions. Detailed information about the internal control system for financial reporting can be found in the Corporate Governance Report.

Risks

RISK CATEGORIES

MorphoSys divides its key risks into the following six categories:

- Financial risk (includes risk resulting from insolvencies and payment defaults; license fees; research funding and milestones that are lower than planned or anticipated; and risks associated with any form of financing and financial instruments, such as cash investments, bank failures, currencies, interest rates, taxes, debt collection and lack of funding)
- Operational risk (risk, for example, in the areas of procurement/production, customers, and personnel, as well as risk related to preclinical or clinical trial results and other risk specific to the biotechnology industry)
- Strategic risk (for example, mergers and acquisitions (M&A), shareholdings, R&D, corporate image, superior development projects and technologies of competitors and portfolio development)
- External risk (risk beyond the Company's control, such as economic, political and legal risk; as well as risk specific to companies in the biotechnology and pharmaceutical industries, such as the risk to intellectual property protection or in the regulatory environment when seeking the approval of new drugs)
- Organizational risk (includes risk concerning IT, facilities management, succession planning, business interruption and process delays as a result of the high complexity and number of projects)
- Compliance risk (for example, non-compliance with US FDA and European EMA regulations, quality management policies, accounting standards, corporate governance or violations of the German Stock Corporation Act)

FINANCIAL RISK

MorphoSys's financial risk management seeks to limit financial risk and reconciles this risk with the requirements of its business.

Financial risk can arise in relation to licensing agreements, for example when projects (products or technologies) do not materialize, are delayed or out-licensed to a different degree than originally planned. Risk also arises when revenues do not reach their projected level or when costs are higher than planned due to higher resource requirements. Detailed project preparations, such as those made through in-depth exchanges with internal and external partners and consultants, ensure the optimal starting point early in the process and are important for minimizing risk. Financial risk related to the Company's proprietary programs was reduced by successfully partnering MOR103. The financial risk

relating to the fully proprietary programs MOR202 and MOR208 remains entirely with MorphoSys. The Company's increasing focus on proprietary development programs means the risks related to this area of MorphoSys's business model will gain in importance. The termination of individual programs or clinical trials may have a significant effect on the Company's short-, medium-, and long-term financial planning. The termination of in-licensed programs can result in extraordinary amortization and negatively affect the net assets and results of operations. MorphoSys retains some risk with respect to the clinical development of programs introduced into partnerships. The early termination of development partnerships may force MorphoSys to bear future development costs alone and have a major impact on the Company's income statement and financial planning.

Continuing economic difficulties in Europe indicate that potential bank insolvencies still pose a financial risk. For this reason, MorphoSys continues to invest only in securities and bank instruments deemed safe – to the extent this is possible and can be estimated – and that have maintained their high rating and/or are secured by a strong partner and are liquid (short-term investment horizon). MorphoSys has simulated various scenarios and set up appropriate contingency plans. Adequate returns on financial assets also represent a risk. Short-term interest rates in the eurozone are currently negative, for example the three-month Euribor interest rate was at the beginning of February 2016 at -17 basis points. In addition, the higher the credit quality, the lower the respective interest rate. In this environment, MorphoSys has opted for higher safety at the expense of lower return.

In future, MorphoSys will continue to spend substantial resources on the development of product candidates, including the identification of target molecules and drug candidates, the conducting of preclinical studies and clinical trials, the manufacturing of material and the support of collaborations and joint development of programs as well as the acquisition of new technologies and the in-licensing of new development candidates. The current financial resources and expected future cash in-flows should be sufficient to meet the Company's current and near-term capital requirements. However, it is not guaranteed that funding will be sufficient at all times.

OPERATIONAL RISK

Operational risk includes risks related to the exploration and development of proprietary drug candidates and the risks associated with antibody production.

The termination of a clinical trial prior to out-licensing to partners – which does not necessarily imply the failure of an entire program – can occur when the trial data does not produce the expected results, show unexpected adverse side effects or were compiled incorrectly. Clinical trial design and drafts of development plans are always completed with the utmost care. This gives the trials the best opportunity to show clinically relevant data in clinical testing and persuade regulatory agencies and potential partners. External experts also contribute to the Company's existing internal know-how. Special steering committees and panels are formed to monitor the progress of clinical programs.

As part of the development of compounds, however, results and findings may come to light which cause a failure or adaptation of the development steps, administration and development timelines. These findings and those from competing companies can lead to changes in the development plan, market potential and timeline. The risk involved in drug development is difficult to control.

Antibody production is a significant cost factor in the development of this class of drugs. The Company's obligation to comply with international drug regulatory agencies' requirements at every step of production in order to ensure the highest quality compounds and patient safety plays a critical role in its

costs. The production process for biopharmaceuticals is usually performed in cell culture systems with several thousand liters of culture volume and requires a number of steps to be carried out under strict supervision and controlled conditions until the individual investigational medicinal products are ready for use in patients. Therefore, depending on the phase of the project, lead times of one to two years must be scheduled for the supply of antibody material. This planning, coupled with early strategic financial investments, represent major factors in drug development because of the high complexity and risk involved in both the production process and clinical trial planning, which can have a considerable effect on the speed and cost of development.

STRATEGIC RISK

Strategic risk exists in relation to the proprietary portfolios of therapeutic candidates. After successfully introducing an existing proprietary program into a partnership, the focus continues to be on forming further partnerships and adding to the portfolio. Risk can emerge from a lack of attractive targets, compounds or innovative technologies or from missed or failed M&A transactions that would have provided access to strategically important assets. MorphoSys mitigates these risks by forming multidisciplinary teams responsible for adding to the proprietary portfolio and identifying suitable therapeutic candidates. In the Company's search for new drug candidates, a New Discovery Team searches for suitable targets for developing novel therapeutic molecules using proprietary or external technology platforms. MorphoSys also started the Innovation Capital program, which invests in innovative start-up companies to secure long-term options on new technologies and therapeutic molecules.

Development programs introduced into partnerships can also fail, and partnerships can be terminated prematurely forcing MorphoSys to search for new development partners or bear the substantial cost of further development alone. This may result in a delay or even the termination of the development of individual candidates and could lead to additional costs and a potential long-term loss of revenue for MorphoSys due to delayed market entry.

Another strategic risk is the emergence of better molecules or more beneficial therapeutic approaches that could destroy the competitiveness of antibodies in the future or delay a drug candidate's market entry. This risk could also be classified as industry risk. MorphoSys tries to minimize this risk by conducting its own discovery activities and using detailed time schedules for its proprietary programs. The Company's Innovation Capital program is an effective tool for identifying and investing in new trends early on so that MorphoSys can join in their development. MorphoSys also has its own scouting team that searches worldwide for new and innovative technologies and keeps track of the competition.

Another strategic risk is the possible non-renewal of the cooperation agreement with Novartis. The current agreement runs until the end of November 2017 and Novartis has the option to extend the agreement an additional two years. If Novartis does not exercise this option, MorphoSys will stand to lose annual revenues of approximately €40 million as of the 2018 financial year.

EXTERNAL RISK

MorphoSys faces external risk with respect to intellectual property, among others. The patent protection of MorphoSys's proprietary technologies and compounds is especially important. To minimize risks in this area, MorphoSys keeps a vigilant eye on published patents and patent applications and analyzes the corresponding results. The Company also develops strategies to circumvent external patents that may one day be relevant before they are issued or takes other appropriate action. Through the years, MorphoSys has seen increasing success with this strategy and has created ample leeway for its

proprietary technology platforms and products for many years to come. Risks can also arise from enforcing the Company's patents against third parties. External risks can also emerge from changes in the regulatory environment. These risks are minimized by providing ongoing training to the relevant personnel and by audits and discussions with external experts. It is also conceivable that competitors challenge patents of MorphoSys Group companies or that MorphoSys concludes that MorphoSys's patents or patent families are infringed by competitors, which may prompt MorphoSys to take legal action against competitors. This type of legal action, particularly when it occurs in the USA, involves high costs and poses a significant financial risk.

Another area where external risk can arise is our collaborations with service providers in preclinical and clinical development and the processing of clinical data. Insufficient or poor performance from service providers can lead to development delays, financial loss or even threaten entire programs.

As an internationally operating biotechnology company with numerous partnerships and an in-house research and development department for developing drug candidates, MorphoSys is subject to a number of legal risks. These risks include those related to patent, competition, tax and antitrust law, potential liability claims from existing partnerships, and environmental protection. Future legal proceedings are conceivable and cannot be anticipated. Therefore, we cannot rule out that we may incur expenses for legal or regulatory judgments or settlements that are not or cannot be partially or fully covered by insurance and may have a significant impact on our business and results.

ORGANIZATIONAL RISK

The Proprietary Development, Partnered Discovery and Technical Operations areas, among others, are subject to organizational risk. Proprietary Development and Partnered Discovery may suffer quality problems or delays within the organization if the number of programs or their complexity increases. To reduce complexity and thereby reduce risk, the Company introduced uniform procedures and monitors their compliance by means of routine audits.

Risk in the Technical Operations area concerns procedures that may cause lasting damage, business interruptions or accidents involving harmful or polluting substances. Measures taken to avoid these types of disruptions include the routine inspection and maintenance of equipment and facilities and providing training and tutorials for the employees concerned. These risks are reduced even further using electronic monitoring systems. Financial risk in this area is generally covered by insurance. Additional information on MorphoSys's operating environment can be found in the section "Sustainable Business Development."

COMPLIANCE RISK

Compliance risk can arise when quality standards are not met or business processes are not conducted properly from a legal standpoint. To counter this risk, MorphoSys is committed to having its business operations meet the highest quality standards as set out in the Sustainability Report. The system is also routinely checked by external specialists and subjected to repeat testing by an internal, independent in-house quality assurance department.

Specific risk can arise, for example, when the internal quality management system does not meet the legal requirements or when there is no internal system for detecting quality problems. If the internal controls are not able to detect violations of Good Manufacturing Practice (GMP), Good Clinical Practice (GCP) or Good Laboratory Practice (GLP) then this also would represent a compliance risk.

Inadequate or late financial communication can lead to fines or even lawsuits. Annual General Meetings conducted incorrectly may lead to legal disputes with shareholders resulting in significant costs from attempts to prevent either a challenge to or repeat of the Annual General Meeting. Pending decisions for corporate actions, such as capital increases, could also be compromised. To minimize these risks, the preparation and execution of the Annual General Meeting and all related documents and processes are carefully reviewed and monitored by the relevant internal departments as well as external lawyers and auditors.

THE MANAGEMENT BOARD'S EVALUATION OF THE OVERALL RISK SITUATION AT MORPHOSYS

MorphoSys's Management Board considers the overall risk to be appropriate and trusts in the effectiveness of the risk management system in relation to changes in the environment and the needs of the ongoing business. It is the Management Board's view that MorphoSys AG's continued existence is not jeopardized. This conclusion is based on several factors that are summarized in the following:

- As in previous years, the major Company objectives have been reached.
- MorphoSys AG has an exceptionally high equity ratio.
- The Management Board firmly believes that MorphoSys is well positioned to cope with any adverse events that may occur.
- The Company controls a comprehensive portfolio of preclinical and clinical programs in partnerships with a number of large pharmaceutical companies and has a strong base of technologies for expanding the Company's proprietary portfolio.

Despite these factors, it is impossible to rule out, control or influence risk in its entirety.

Opportunities

Leading antibody technologies, powerful strategic alliances, excellent know-how and a broad portfolio of validated clinical programs have made MorphoSys one of the world's leading biotechnology companies in the field of therapeutic antibodies. This therapeutic class is now one of the most successful in the industry, and there is an impressive number of pharmaceutical and biotechnology companies in the field of antibodies that could potentially become customers or partners for MorphoSys's products and technologies. Due to this fact and thanks to the Company's extensive technological and product development expertise, MorphoSys has identified a number of future growth opportunities.

MorphoSys's technologies for developing and optimizing therapeutic antibody candidates have distinct advantages that can lead to higher success rates and shorter development times in the drug development process. The transfer and application of MorphoSys's core capabilities – even those outside of the field of antibodies – opens up new opportunities for the Company because many classes of compounds have similar molecular structures. The Innovation Capital initiative seizes previously unavailable opportunities by making MorphoSys a strategic investor in young, innovative companies and allowing it to use synergies effectively.

OPPORTUNITY MANAGEMENT SYSTEM

The opportunity management system is an important component of MorphoSys's corporate management and is used to identify opportunities early and generate added value for the Company.

Opportunity management is based on four pillars:

- a routine discussion forum involving the Management Board and selected members of the Senior Management Group;
- the Company's business development activities;
- a technology scouting team; and
- the Innovation Capital initiative.

Committees discuss specific opportunities and decide what action should be taken to exploit these opportunities. The meetings and their outcomes are recorded in detail, and any subsequent action is reviewed and monitored. The Company's Business Development Team takes part in numerous conferences and in the process identifies different opportunities that can enhance the Company's growth. These opportunities are presented and evaluated within the committee using an evaluation process. The Technology Scouting Team searches specifically for innovative technologies that can generate synergies with MorphoSys's technological infrastructure and identify new therapeutic molecules. These outcomes are also discussed and evaluated in interdepartmental committees. The Innovative Capital initiative already described also allows MorphoSys to participate in these early innovations and make it possible for the Company to use them in the future. A proven process for evaluating opportunities gives MorphoSys a qualitative and replicable evaluation.

GENERAL STATEMENT ON OPPORTUNITIES

Increased life expectancy in industrialized countries and rising incomes and living standards in emerging countries are expected to drive the demand for more innovative treatment options and advanced technologies. Scientific and medical progress has led to a better understanding of the biological process of disease and paves the way for new therapeutic approaches. Innovative therapies, such as fully human antibodies, have reached market maturity in recent years and have led to the development of commercially successful medical products. Therapeutic compounds based on proteins are less subject to generic competition than chemically produced molecules because the production of biological compounds is far more complex. The sharp rise in both the demand for antibodies and the interest in this class of drug candidates can be seen by the acquisitions and significant licensing agreements made over the past two to three years.

MARKET OPPORTUNITIES

MorphoSys believes its antibody platforms HuCAL, Ylanthia, Slonomics and the lanthipeptide technology acquired in the reporting year can all be used to develop products addressing high unmet medical needs.

THERAPEUTIC ANTIBODIES – PROPRIETARY DEVELOPMENT

It is reasonable to assume that the pharmaceutical industry will increase the level of in-licensing new drugs to refill its pipelines and replace key products and blockbusters that have lost patent protection. MorphoSys's most advanced compounds MOR103, MOR202 and MOR208 place the Company in an excellent position to capitalize on the needs of pharmaceutical companies.

Secured cash flows from the Partnered Discovery segment have allowed MorphoSys to strengthen its proprietary portfolio continuously. By investigating new disease areas, MorphoSys will continue to

expand its proprietary portfolio by adding clinical trials using the Company's key drug candidates. MorphoSys intends to enhance its portfolio with additional programs and in doing so could take advantage of existing and future opportunities for co-development or partnerships. The Company is also looking for more opportunities to in-license interesting drug candidates.

Drug candidates MOR208 and MOR202 may give MorphoSys its first opportunity to market a drug on its own.

THERAPEUTIC ANTIBODIES – PARTNERED DISCOVERY

By developing drugs with a number of partners, MorphoSys has been able to spread the risk inextricably linked with drug development over a broader spectrum. With around 90 individual therapeutic antibodies currently in partnered development programs, it is becoming more likely that MorphoSys will have an opportunity to participate financially in marketed drugs. In 2015, three antibodies were in phase 3 clinical development. If the results of the clinical studies are positive, it is conceivable that an approval could be granted in the near future. Our partner Novartis, for example, has announced that it may file for the approval of bimagrumab in 2016.

TECHNOLOGY DEVELOPMENT

MorphoSys continues to invest in its existing and new technologies to defend its technological leadership. MorphoSys established a new technology platform with Ylanthia that, in contrast to its previous version HuCAL, is eligible for broader licensing to different partners.

These types of technological advances can help the Company expand its list of partners and increase not only the speed but also the success rate of its partnered and proprietary drug development programs. New technology modules that enable the production of antibodies against novel classes of target molecules can also provide access to new disease areas in which antibody-based treatments are underrepresented.

Technology development is carried out by a team of scientists whose focus is the further development of MorphoSys technologies. MorphoSys not only develops technology internally but also uses external resources to enhance its own activities. A good example of this is the Company's acquisition of Lanthio Pharma, a Dutch company developing lanthipeptides.

ACQUISITION OPPORTUNITIES

In the past, MorphoSys has proven its ability to acquire compounds and technologies that accelerate its growth. Potential acquisition candidates are also systematically presented, discussed and evaluated during the routine meetings described above between the Management Board and selected members of the Senior Management Group. After these meetings, promising candidates are reviewed in terms of their strategic synergies and evaluated by internal specialist committees. Protocols are completed on all candidates and evaluations are systematically archived for follow-up and monitoring. A proprietary database helps administer this information and keep it available.

MorphoSys plans to move forward with its acquisition strategy in the year ahead in order to enhance its existing portfolio and technology platform and secure access to patents and licenses for novel proprietary technologies and products.

FINANCIAL OPPORTUNITIES

Exchange rate and interest rate developments can positively or negatively affect the Company's financial results. Interest rate and financial market developments are continuously monitored – particularly during this period of extremely low interest rates – to promptly identify and take advantage of opportunities.

TAB. 6: SUMMARY OF KEY SHORT- AND MEDIUM-TERM RISKS AT MORPHOSYS

	1-Year Assessment	3-Year Assessment
Financial risk		
Risk of missing revenue targets/incorrect budgeting	●● Moderate	●● Moderate
Risk of bank insolvencies	●● Moderate	● Low
Operational risk		
Risk related to development of proprietary antibodies	●●● High	●●● High
Risk related to antibody production	●● Moderate	●● Moderate
Strategic risk		
Risk of failure to in-license new therapeutic molecules	●● Moderate	●● Moderate
Risk of missed acquisition opportunities	● Low	● Low
External risk		
Patent-related risk (related to lawsuits, patent situation of technology platform, new national/international regulations)	●● Moderate	●● Moderate
Risk related to external service providers in the clinical area	●● Moderate	●● Moderate
Organizational risk		
Risk due to growing number and complexity of programs	●● Moderate	●● Moderate
Risk in the technical operations area	● Low	● Low
Compliance risk		
Quality risk related to legal requirements	●● Moderate	●● Moderate
Legal risk	● Low	● Low

Legend:

- Low risk: low probability of occurrence, low impact
- Moderate risk: moderate probability of occurrence, moderate impact
- High risk: moderate probability of occurrence, moderate to strong impact
- Catastrophic risk: high probability of occurrence, severe impact

TAB. 7: SUMMARY OF KEY LONG-TERM RISKS AT MORPHOSYS

Segment	Risk	Order of Importance
Proprietary Development	Lack of competitiveness of the MorphoSys pipeline	1
Partnered Discovery	Termination of partnered programs	2
Proprietary Development	Lack of funding for proprietary development activities	3
Proprietary Development	Premature establishment of sales structure with delayed development of proprietary drug candidates	4

Legend: Declining importance of risk from 1 to 4, whereby 1 represents the most important risk.

Statement on Corporate Governance and Corporate Governance Report

The Statement on Corporate Governance and the Corporate Governance Report are available on the Company's website under Media and Investors – Corporate Governance.

Statement on Corporate Governance under Sec. 289a (HGB) for the 2015 Financial Year

In the Statement on Corporate Governance under Sec. 289a HGB, the Management Board and the Supervisory Board report on corporate governance. In addition to the annual Declaration of Conformity in accordance with Sec. 161 of the Stock Corporation Act (AktG), the Statement on Corporate Governance also includes relevant information on corporate governance practices and other aspects of corporate governance, including a description of the working practices of the Management Board and Supervisory Board.

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE (THE "CODE") OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD OF MORPHOSYS AG

The Management Board and Supervisory Board of MorphoSys AG declare the following under Sec. 161 of the German Stock Corporation Act:

1. Since the last Declaration of Conformity on December 5, 2014, MorphoSys AG has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" dated June 24, 2014 and the version from May 5, 2015 with the following exceptions:
 - a. There is no cap on the overall or individual variable remuneration components of Management Board members' remuneration (see Item 4.2.3 Para. 2 sentence 6 of the Code). Based on the Supervisory Board's existing limitations for the Management Board's variable remuneration components and their annual allocation, the Supervisory Board does not believe that an additional cap is required.
 - b. Until July 21, 2015, the Supervisory Board refrained from fully applying the recommendations in Item 5.4.1 Paras. 2 and 3 sentence 1 of the Code. According to Item 5.4.1 Para 2, the Supervisory Board shall specify certain objectives regarding the Board's composition that provides for an appropriate level of female participation. Recommendations made by the Supervisory Board to the responsible election bodies shall take these objectives into account in accordance with Item 5.4.1 Para. 3 sentence 1. The Supervisory Board has established concrete objectives for its composition and has thereby resolved to strive for adequate female representation. An exact quota of women was not specified because qualification and not gender should be the deciding criteria in appointing members of the Supervisory Board. As of July 22, 2015, the recommendations

in Item 5.4.1 Paras. 2 and 3 sentence 1 of the Code have been fully applied because on this date a corresponding quota was established.

2. MorphoSys will continue to comply with the recommendations of the “Government Commission on the German Corporate Governance Code” in the version dated May 5, 2015 with the exceptions described under Item 1a.

Martinsried/Planegg, December 3, 2015

MorphoSys AG

On behalf of the Management Board:

Dr. Simon Moroney
Chief Executive Officer

On behalf of the Supervisory Board:

Dr. Gerald Möller
Chairman of the Supervisory Board

RELEVANT INFORMATION ON CORPORATE GOVERNANCE PRACTICES

MorphoSys ensures compliance with laws and rules of conduct through the Company-wide application of the following documents: the Code of Conduct, the Compliance Handbook and supplementary internal guidelines.

MorphoSys’s Code of Conduct sets out the fundamental principles and key policies and practices for business behavior. The code is a valuable tool for employees and executives, particularly in business, legal and ethical situations of conflict. It reinforces the principles of transparent and sound management and fosters trust in the Company from the financial markets, business partners, employees and the public. Compliance with the Code of Conduct is carefully monitored. The Company-wide application of the Code is overseen by a Code of Conduct Committee, and the Code itself is routinely reviewed and updated when necessary. The Code of Conduct can be downloaded from the Company’s website under Media and Investors – Corporate Governance.

The Compliance Handbook describes MorphoSys’s compliance management system and is intended to ensure compliance with all legal regulations as well as set out high ethical standards that apply to both the management and all employees. The Management Board has overall responsibility for the compliance management system and is required to report regularly to the Audit Committee and the Supervisory Board. In carrying out its compliance responsibility, the Management Board has assigned the relevant tasks to various offices at MorphoSys.

The Compliance Officer monitors the communication between the individual compliance posts within MorphoSys and makes adjustments to the system as needed in consultation with the Management Board. The Compliance Officer also routinely reports all relevant developments in the Company’s compliance system to the Chief Executive Officer.

The Compliance Officer is supported by a Compliance Committee that meets at regular intervals to discuss compliance issues. This committee serves as a liaison between the various departments dealing with compliance issues and facilitates the identification and discussion of all the compliance posts’ relevant issues. This is the basis upon which the Compliance Officer periodically verifies adherence to the compliance management system and MorphoSys’s compliance status.

More information on MorphoSys's compliance management system can be found in the Corporate Governance Report on page 61.

COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

MANAGEMENT BOARD

The Management Board of the Company consists of a Chief Executive Officer and three other members. A schedule of responsibilities defines the different areas of responsibility as follows:

- Dr. Simon Moroney, Chief Executive Officer, responsible for Strategy and Planning; Compliance and Quality Assurance; Internal Audit; Human Resources; Business Development & Portfolio Management; Legal; the coordination of individual areas of the Management Board; and representation of the Management Board to the Supervisory Board.
- Jens Holstein, Chief Financial Officer, responsible for Accounting and Taxes; Controlling; Corporate Finance & Corporate Development; Risk Management; IT; Technical Operations; Procurement & Logistics; Corporate Communications and Investor Relations; and Environmental Social Governance (ESG).
- Dr. Arndt Schottelius, Chief Development Officer, responsible for Preclinical Development; Clinical Research; Clinical Operations; Drug Safety & Pharmacovigilance; Regulatory Affairs; and Project Management.
- Dr. Marlies Sproll, Chief Scientific Officer responsible for Development Partnerships & Technology Development; Target Molecule & Antibody Research; Protein Chemistry; Alliance Management; and Intellectual Property.

SUPERVISORY BOARD

As of December 31, 2015, the MorphoSys AG Supervisory Board consisted of six members who oversee and advise the Management Board. The current Supervisory Board consists of professionally qualified members who represent MorphoSys AG shareholders. Dr. Gerald Möller, acting Chairman of the Supervisory Board, 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 have many years of experience in the biotechnology and pharmaceutical industries. The members are duly elected by the shareholders during the Annual General Meeting. The Chairperson of the Supervisory Board is not a former member of MorphoSys AG's Management Board. The terms of office of all six Supervisory Board members ended with the conclusion of the 2015 Annual General Meeting and, therefore, six Supervisory Board members were either elected or reelected to the Supervisory Board during the 2015 Annual General Meeting. The members of the Supervisory Board and its committees are listed in the table below.

TAB. 8: COMPOSITION OF THE SUPERVISORY BOARD UNTIL TERMINATION OF THE 2015 ANNUAL GENERAL MEETING

	Position	Initial Appointment	End of Period	Audit Committee	Remuneration and Nomination Committee	Science and Technology Committee
Dr. Gerald Möller	Chairman	1999	2015			
Dr. Geoffrey Vernon 	Deputy Chairman	1999	2015			
Dr. Walter Blättler	Member	2007	2015			
Dr. Daniel Camus 	Member	2002	2015			
Dr. Marc Cluzel	Member	2012	2015			
Karin Eastham 	Member	2012	2015			
 Independent Financial Expert	 Chairperson		 Member			

TAB. 9: COMPOSITION OF THE SUPERVISORY BOARD SINCE TERMINATION OF THE 2015 ANNUAL GENERAL MEETING

	Position	Initial Appointment	End of Period	Audit Committee	Remuneration and Nomination Committee	Science and Technology Committee
Dr. Gerald Möller	Chairman	1999	2018			
Dr. Frank Morich	Deputy Chairman	2015	2017			
Karin Eastham 	Member	2012	2018			
Klaus Kühn 	Member	2015	2017			
Dr. Marc Cluzel	Member	2012	2018			
Wendy Johnson	Member	2015	2017			
 Independent Financial Expert	 Chairperson		 Member			

WORKING PRACTICES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

To ensure good corporate governance, a guiding principle of the cooperation between the Management Board and Supervisory Board at MorphoSys AG 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 the legislator and the Boards' bylaws and Articles of Association. The stated objective of MorphoSys AG's Management Board and Supervisory Board is to sustainably increase Company value. The Boards work closely together to make decisions and take actions for the Company's benefit.

Management Board members have their own area of responsibility defined in the schedule of responsibilities and regularly report to their Management Board colleagues. Cooperation among Management Board members is governed by the bylaws. The Supervisory Board ratifies both the schedule of responsibilities and the bylaws. Management Board meetings are typically held weekly and 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). A written protocol is completed for each meeting of the full Management Board and is submitted for approval to the full Management Board and for signature to the chief executive officer at the following meeting.

Management Board strategy workshops are also held in which the Company-wide strategic objectives are developed and prioritized.

The Management Board promptly and comprehensively informs the Supervisory Board in writing and at Supervisory Board meetings about planning, business development, the Company'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 routine Supervisory Board meetings, a strategy meeting takes place between the Management Board and Supervisory Board once annually to discuss MorphoSys's 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 2015 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 six meetings per full calendar year. The Supervisory Board has supplemented the Articles of Association with rules of procedure that apply to its duties: 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 passed with a simple majority unless the law prescribes otherwise. In the event of a tied vote, the Chairperson of the Supervisory Board's vote decides.

Protocols are completed for Supervisory Board meetings, and resolutions passed outside of meetings. A copy of the Supervisory Board's protocol is made available to all Supervisory Board members. The Supervisory Board conducts an efficiency evaluation regularly in accordance with the recommendation in Item 5.6 of the 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 three 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.

TAB. 10: PARTICIPATION OF SUPERVISORY BOARD MEMBERS

SUPERVISORY BOARD MEETINGS

Name	by phone		by phone				Strategy Meeting		
	01/16 2015	02/25 2015	03/18 2015	05/07 2015	05/08 2015	07/22 2015	07/23 2015	10/01 2015	12/03 2015
Dr. Gerald Möller	X	X	X	X	X	X	X	X	X
Dr. Geoffrey Vernon	X	X	X	X					
Dr. Walter Blättler	X	X	X	X					
Dr. Daniel Camus	X	X	X	X					
Dr. Marc Cluzel	X	X	X	X	X	X	X	X	X
Karin Eastham	X	X	X	X	X	X	X	X	X
Dr. Frank Morich					X	X	X	X	X
Klaus Kühn					X	X	X	X	X
Wendy Johnson					X	X	X	X	X

MEETINGS OF THE AUDIT COMMITTEE

Name	02/25/2015	by phone 03/18/2015	by phone 04/29/2015	07/22/2015	10/01/2015	by phone 11/03/2015	12/03/2015
	Dr. Daniel Camus	X	X	X			
Dr. Geoffrey Vernon	X	X	X				
Karin Eastham	X	X	X	X	X	X	X
Klaus Kühn				X	X	X	X
Wendy Johnson				X	X	X	X

MEETINGS OF THE REMUNERATION AND NOMINATION COMMITTEE

Name	by phone 02/20/2015	02/25/2015	by phone 03/03/2015	05/07/2015	12/02/2015
Dr. Gerald Möller	X	X	X	X	X
Dr. Marc Cluzel	X	X	X	X	X
Karin Eastham	X	X	X	X	X

MEETINGS OF THE SCIENCE AND TECHNOLOGY COMMITTEE

Name	02/25/2015	by phone 04/30/2015	05/07/2015	07/22/2015	by phone 09/15/2015	10/01/2015	by phone 11/09/2015	12/03/2015
Dr. Walter Blättler	X	X	X					
Dr. Marc Cluzel	X	X	X	X	X	X	X	X
Wendy Johnson				X	-	X	X	X
Frank Morich				X	X	X	-	X

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 8, 2015, were Dr. Daniel Camus (Chairman), Dr. Geoffrey Vernon and Karin Eastham, who all fulfill the prerequisite of being independent financial experts. The members of the Audit Committee as of May 8, 2015, were Klaus Kühn (Chairman), Karin Eastham and Wendy Johnson. Klaus Kühn and Karin Eastham fulfill the prerequisite of being independent financial experts.

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 Dr. Gerald Möller (Chairman until May 8, 2015), Dr. Marc Cluzel and Ms. Karin Eastham (Chairperson as of May 8, 2015).

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 until May 8, 2015 were Dr. Walter Blättler

(Chairman) and Dr. Marc Cluzel. As of May 8, 2015, the members of the Science and Technology Committee are Dr. Marc Cluzel (Chairman), Dr. Frank Morich and Ms. Wendy Johnson.

The Supervisory Board members' biographies can be found on the MorphoSys website under Company - Management - Supervisory Board.

Corporate Governance Report

At MorphoSys, responsible, sustainable and value-oriented corporate governance assumes a high priority. Good corporate governance is an essential aspect of MorphoSys's corporate management and forms the framework for the Company's management and supervision, which includes the Company'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. Many of the corporate governance principles contained in the Code have been practiced at MorphoSys for many years. Corporate governance issues at MorphoSys AG are detailed in the Statement on Corporate Governance under Sec. 289a 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 this Corporate Governance Report.

COMMUNICATION WITH THE CAPITAL MARKETS

At MorphoSys, a key corporate communication principle is to simultaneously and fully inform institutional investors, private shareholders, financial analysts, employees and all other stakeholders of the Company's situation through regular, transparent and timely communication. Shareholders have immediate access to the information provided to financial analysts and similar recipients and can obtain this information in both German and English. The Company is firmly committed to following a fair information policy.

Regular meetings with analysts and investors in the context of road shows and individual meetings play a central role in investor relations at MorphoSys. Conference calls accompany publications of quarterly results and give analysts and investors an immediate opportunity to ask questions about the Company's development. Company presentations for on-site events, visual and audio recordings of other important events as well as conference call transcripts are also available on the Company's website to all interested parties.

The Company's website www.morphosys.com serves as a central platform for current information on the Company and its development. Financial reports, analyst meeting and conference presentations as well as press releases and ad hoc statements are also available. The important regularly scheduled publications and events (annual reports, interim reports, annual general meetings and press and analyst conferences) are published in the Company's financial calendar well in advance.

ESTABLISHMENT OF SPECIFIC TARGETS FOR THE COMPOSITION OF THE SUPERVISORY BOARD

MorphoSys AG's Supervisory Board has a total of six members. The Supervisory Board believes a ratio of at least two non-German members, or at least two members having extensive international experience, provides a fair share of diversity given the Company's international orientation. The Supervisory Board currently meets this ratio.

The Supervisory Board also strives to have at least four independent members. The Supervisory Board currently meets this ratio. Material and lasting conflicts of interest should be avoided, particularly those arising from activities for major competitors. No such conflict of interest currently exists.

The Supervisory Board has two female members and the Company intends to maintain this ratio in the future.

The age limit of 75 years contained in the Supervisory Board's bylaws is respected but the Supervisory Board may make an exception to this provision in specific cases.

At the Annual General Meeting, the Supervisory Board intends to propose an initial period of office of two years for Supervisory Board members. The Supervisory Board still intends to allow reappointment only once for an additional term of three years but reserves the right to make exceptions in specific cases and permit members to be reappointed for a third or potentially fourth term of three years each.

The Supervisory Board intends to respect the targets described in future election proposals.

WOMEN'S QUOTA FOR THE SUPERVISORY BOARD, MANAGEMENT BOARD AND THE TWO MANAGEMENT LEVELS BELOW THE MANAGEMENT BOARD

In July 2015, the Supervisory Board established a women's quota for the Supervisory Board and Management Board:

MorphoSys AG's Supervisory Board has a total of six members. Two of those members are women, which places the current ratio of female members on the Company's Supervisory Board above 30 %, at 33.33 %. The Supervisory Board intends to maintain this ratio in the future.

MorphoSys AG's Management Board has a total of four members. One of those members is a woman, which places the current ratio of female members on the Company's Management Board below 30 %, at 25 %. The Supervisory Board intends to maintain this ratio in the future.

In July 2015, the Management Board established a women's quota for the two management levels below the Management Board:

At the time of the decision, the first management level below the Management Board (the Senior Management Group) consisted of 20 members, seven of who were women, placing the level of female representation above 30 %, at 35 %. The Management Board intends to maintain a minimum ratio of 30 %.

At the time of the decision, the second management level below the Management Board (executives outside of the Senior Management Group) consisted of 48 members, 19 of who were women, placing the

level of female representation above 30 %, at 39.59 %. The Management Board intends to maintain a minimum ratio of 30 %.

REMUNERATION REPORT

The Remuneration Report presents the principles, structure and amount of Management Board and Supervisory Board remuneration. The report complies with the legal provisions and gives consideration to the Code's recommendations.

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 individual and corporate targets (short-term incentive - STI), a variable compensation component with a long-term incentive (long-term incentive - LTI) and other remuneration components. The variable remuneration component with long-term incentive consists of a performance share plan and convertible bond programs from prior years. 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, their personal achievement of goals, the Company's economic situation and success and the Company's business prospects versus its competition. All decisions concerning adjustments to the remuneration package are made by the entire Supervisory Board. The Management Board's remuneration and index-linked pension scheme were last adjusted in July 2015.

OVERVIEW

In the 2015 financial year, total benefits of €4,464,154 (2014: €5,065,240) were granted to the Management Board in accordance with the provisions of the Corporate Governance Code.

Of the remuneration for the year 2015, €2,613,470 was cash compensation and €1,850,684, or 41%, resulted from personnel expenses for share-based compensation (performance share plan and convertible bond plan) (remuneration with long-term incentive - LTI).

The total amount of benefits paid to the Management Board in the 2015 financial year was €9,508,884 (2014: €6,984,419). In addition to cash compensation payments of €2,869,901 (2014: €2,893,199), this amount includes the value of exercised convertible bonds and the transfer of treasury shares from a performance-based share plan (share-based compensation) amounting to €6,638,983 (2014: €4,091,220) relevant under German tax law.

Management Board members exercised 51,800 convertible bonds in the course of 2015. On June 1, 2015 a total of 71,949 treasury shares were transferred to the Management Board from the 2011 performance-based share plan because the vesting period for this LTI program had expired. All transactions in MorphoSys shares executed by members of the Management Board were reported as required by law and published in the Corporate Governance Report and on the Company's website.

In accordance with the requirements of Item 4.2.5, Para. 3 of the Code, the following table provides detailed mandatory information on the remuneration of the individual Management Board members.

Please note that the following tables are provided in the context of the Corporate Governance Report and differ from the information on Management Board remuneration presented in the Notes of this Annual Report (Item 7.4). These differences are due to the varying presentation requirements under the Corporate Governance Code and IFRS.

TAB. 11: COMPENSATION OF THE MANAGEMENT BOARD IN 2015 AND 2014 (DISCLOSURE IN ACCORDANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE)

BENEFITS GRANTED TO THE MANAGEMENT BOARD:

in €	Dr. Simon Moroney Chief Executive Officer				Jens Holstein Chief Financial Officer			
	2014	2015	2015 (Minimum)	2015 (Maximum)	2014	2015	2015 (Minimum)	2015 (Maximum)
Fixed Compensation	426,502	445,736	445,736	445,736	289,335	302,384	302,384	302,384
Fringe Benefits	29,444	36,887	36,887	36,887	33,722	39,735	39,735	39,735
Total Fixed Compensation	455,946	482,623	482,623	482,623	323,057	342,119	342,119	342,119
One -Year Variable Compensation ¹	324,696	238,692	0	390,019	220,271	161,926	0	264,585
Multi-Year Variable Compensation ^{1,2} :								
2010 Convertible Bonds Program ² (Vesting Period 4 Years)	6,010	0	0	0	0	0	0	0
2013 Convertible Bonds Program ² (Vesting Period 4 Years)	310,530	164,969	164,969	164,969	318,087	168,984	168,984	168,984
2014 Long-Term Incentive Program ³ (Vesting Period 4 Years)	402,413	0	0	0	275,625	0	0	0
2015 Long-Term Incentive Program ³ (Vesting Period 4 Years)	0	422,533	0	1,690,132	0	289,406	0	1,157,624
Total Variable Compensation	1,043,649	826,194	164,969	2,245,120	813,983	620,316	168,984	1,591,193
Service Cost	125,730	138,280	138,280	138,280	86,866	90,800	90,800	90,800
Total Compensation	1,625,325	1,447,097	785,872	2,866,023	1,223,906	1,053,235	601,903	2,024,112

¹The one-year compensation granted for the 2015 financial year represents the bonus accrual for 2015 that will be paid in February 2016. The bonus granted for the 2014 financial year was paid in February 2015.

²Stock-based compensation plans not issued on an annual basis. The fair value was determined pursuant to the regulations of IFRS 2 "Share-based Payment." For plans that are not issued annually, the pro rata share of personnel expenses resulting from share-based payments is presented for each financial year.

³Stock-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.

Dr. Arndt Schottelius Chief Development Officer				Dr. Marlies Sproll Chief Scientific Officer				Total			
2014	2015	2015 (Minimum)	2015 (Maximum)	2014	2015	2015 (Minimum)	2015 (Maximum)	2014	2015	2015 (Minimum)	2015 (Maximum)
289,335	302,384	302,384	302,384	289,335	302,384	302,384	302,384	1,294,507	1,352,888	1,352,888	1,352,888
32,508	29,889	29,889	29,889	22,828	22,954	22,954	22,954	118,502	129,465	129,465	129,465
321,843	332,273	332,273	332,273	312,163	325,338	325,338	325,338	1,413,009	1,482,353	1,482,353	1,482,353
215,208	156,635	0	264,585	210,144	156,635	0	264,585	970,319	713,888	0	1,183,774
3,373	0	0	0	3,373	0	0	0	12,756	0	0	0
212,687	112,990	112,990	112,990	212,687	112,990	112,990	112,990	1,053,991	559,933	559,933	559,933
275,625	0	0	0	275,625	0	0	0	1,229,288	0	0	0
0	289,406	0	1,157,624	0	289,406	0	1,157,624	0	1,290,751	0	5,163,004
706,893	559,031	112,990	1,535,199	701,829	559,031	112,990	1,535,199	3,266,354	2,564,572	559,933	6,906,711
86,653	94,064	94,064	94,064	86,628	94,085	94,085	94,085	385,877	417,229	417,229	417,229
1,115,389	985,368	539,327	1,961,536	1,100,620	978,454	532,413	1,954,622	5,065,240	4,464,154	2,459,515	8,806,293

PAYMENTS DURING THE FINANCIAL YEAR:

in €	Dr. Simon Moroney		Jens Holstein	
	Chief Executive Officer		Chief Financial Officer	
	2014	2015	2014	2015
Fixed Compensation	426,502	445,736	289,335	302,384
Fringe Benefits	29,444	36,887	33,722	39,735
Total Fixed Compensation	455,946	482,623	323,057	342,119
One -Year Variable Compensation ¹	360,543	324,696	244,590	220,271
Multi-Year Variable Compensation:				
2010 Convertible Bonds Program ² (Vesting Period 4 Years)	2,386,110	737,148	0	0
2011 Long-Term Incentive Program ² (Vesting Period 4 Years)	0	1,513,045	0	1,036,320
Other ³	0	0	0	0
Total Variable Compensation	2,746,653	2,574,889	244,590	1,256,591
Service Cost	125,730	138,280	86,866	90,800
Total Compensation	3,328,329	3,195,792	654,513	1,689,510

¹The one-year variable compensation presented here represents the bonus paid in the respective financial year for the previous financial year.

²The 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.

³No compensation recovery claims against the Management Board existed in 2015 or 2014.

	Dr. Arndt Schottelius		Dr. Marlies Sproll		Total	
	Chief Development Officer		Chief Scientific Officer			
	2014	2015	2014	2015	2014	2015
	289,335	302,384	289,335	302,384	1,294,507	1,352,888
	32,508	29,889	22,828	22,954	118,502	129,465
	321,843	332,273	312,163	325,338	1,413,009	1,482,353
	244,590	215,208	244,590	210,144	1,094,313	970,319
					0	0
	1,705,110	0	0	1,279,830	4,091,220	2,016,978
	0	1,036,320	0	1,036,320	0	4,622,005
	0	0	0	0	0	0
	1,949,700	1,251,528	244,590	2,526,294	5,185,533	7,609,302
	86,653	94,064	86,628	94,085	385,877	417,229
	2,358,196	1,677,865	643,381	2,945,717	6,984,419	9,508,884

FIXED REMUNERATION AND FRINGE BENEFITS

The non-performance-related remuneration of the Management Board consists of fixed remuneration and additional benefits, which primarily include the use of company cars, as well as subsidies for health, welfare and disability insurance. The Chief Financial Officer, Mr. Jens Holstein, receives an additional 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 plus 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 are met by Allianz Pensions-Management e.V.

PERFORMANCE-BASED COMPENSATION (SHORT-TERM INCENTIVE - STI)

Each member of the Management Board receives performance-based compensation in the form of an annual bonus of up to 70 % of the gross base salary when 100 % of his or her goals have been achieved. These bonus payments are dependent on the achievement of both corporate and personal goals specified by the Supervisory Board at the start of each financial year. Corporate goals comprise 80 % of performance-based compensation. These are based on the Company's performance measured by revenue, operating result, the progress of the partnered pipeline, the Company's proprietary portfolio and the achievement of technology targets. Individual goals comprise 20 % of annual performance-based compensation and include operating objectives that the respective Management Board members are expected to fulfill. At the start of the year, the Supervisory Board assesses the degree to which corporate and personal 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 gross base salary).

Performance-based compensation can be omitted if the goals are not achieved. The bonus for the 2015 financial year will be paid in February 2016.

LONG-TERM INCENTIVE COMPENSATION (LONG-TERM INCENTIVE - LTI)

In 2011, MorphoSys introduced a new, long-term incentive compensation plan (Performance Share Plan) for the Management Board and members of the Senior Management Group. The LTI-program is based on the allocation of shares linked to the achievement of predefined performance targets over a four-year period.

Each year, the Supervisory Board determines the number of shares to be allocated to the Management Board. On April 1, 2015, the Management Board was granted 21,948 shares. Each Management Board member received an entitlement benefit for a specific number of shares. For more information, please refer to the Notes and the explanation on share buybacks in the Corporate Governance Report.

The Supervisory Board sets the long-term performance targets along with the allocation of shares for a given year. The target for the 2015 LTI-program was the performance of the MorphoSys share compared to a benchmark index consisting equally of the NASDAQ Biotech Index and the TecDAX Index. LTI-program participants are awarded shares annually based on the daily relative performance of the MorphoSys share versus the benchmark index. There is a hurdle of 50% and a cap of 200% for the price performance in any given year. For example, if the relative performance of the MorphoSys shares versus the benchmark index is less than 50%, participants will not receive any entitlement benefits for the relevant year. Participants also do not receive entitlement benefits for additional shares when the share price performance exceeds 200%.

The ultimate number of performance shares allocated to the LTI-program participants is determined at the completion of the program, namely after four years. This calculation incorporates the number of shares initially allocated after adjusting for the share price development of the MorphoSys share versus the benchmark index and 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.

MISCELLANEOUS

Management Board members were not granted any loans or similar benefits in the reporting year nor have they received any benefits from third parties that were promised or granted based on their position as a member of the Management Board.

TERMINATION OF MANAGEMENT BOARD EMPLOYMENT CONTRACTS/CHANGE OF CONTROL

If a Management Board member's employment contract terminates due to member's 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 in control, Management Board members are entitled to exercise their extraordinary right to terminate their employment contracts and receive any outstanding fixed salary for the remainder of the agreed contract period. Moreover, in such a case, all convertible bonds and performance shares granted will become vested immediately and can be exercised after the expiration of the statutory vesting period. 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 or (iii) a shareholder or third party holds 30% or more of MorphoSys's voting rights.

SUPERVISORY BOARD REMUNERATION

The remuneration of Supervisory Board members is governed by the Company's Articles of Association and a corresponding Annual General Meeting resolution on Supervisory Board remuneration. In the 2015 financial year, Supervisory Board members received fixed compensation, attendance fees and expense allowances for their participation in Supervisory Board and committee meetings. Since 2014, each Supervisory Board member has received annual fixed compensation (€ 85,400 for Chairpersons, € 51,240 for Deputy Chairpersons and € 34,160 for all other members) for their membership of the Supervisory Board. The Chairperson 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 Chairperson receives € 12,000 and other committee members each receive € 6,000. Committee members also receive € 1,200 for their participation in a committee meeting. Compensation is paid quarterly on a pro-rated basis. A resolution of the Annual General Meeting on May 8, 2015 made two changes to the rules governing Supervisory Board remuneration: Participation in a Supervisory Board meeting by telephone or video conference results in a 50% reduction in compensation for meeting participation and, in certain cases, a fixed expense allowance is granted for travel time when a meeting is personally attended. Therefore, Supervisory Board members residing outside of Europe who personally take part in a Supervisory Board or committee meeting are entitled to a fixed 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 2015 financial year, Supervisory Board members received a total of € 529,270 (2014: € 514,480) 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 by the Company.

The table below details the Supervisory Board's remuneration.

TAB. 12: COMPENSATION OF THE SUPERVISORY BOARD IN 2015 AND 2014:

Supervisory Board	Fixed Compensation		Attendance Fees ³		Total Compensation	
	2015	2014	2015	2014	2015	2014
Dr. Gerald Möller	93,521	97,400	36,200	38,000	129,721	135,400
Dr. Walter Blättler ¹	16,188	46,160	13,000	25,200	29,188	71,360
Dr. Daniel Camus ¹	16,188	46,160	8,400	23,200	24,588	69,360
Dr. Marc Cluzel	50,089	46,160	28,000	32,400	78,089	78,560
Karin Eastham	50,089	46,160	36,800	32,400	86,889	78,560
Dr. Geoffrey Vernon ¹	20,073	57,240	8,400	24,000	28,473	81,240
Dr. Frank Morich ²	37,324	0	14,200	0	51,524	0
Wendy Johnson ²	30,099	0	26,400	0	56,499	0
Klaus Kühn ²	30,099	0	14,200	0	44,299	0
Total	343,670	339,280	185,600	175,200	529,270	514,480

¹ Dr. Walter Blättler, Dr. Daniel Camus and Dr. Geoffrey Vernon left the Supervisory Board of MorphoSys AG on May 8, 2015.

²Dr. Frank Morich, Wendy Johnson and Klaus Kühn joined the Supervisory Board of MorphoSys AG on May 8, 2015.

³The attendance fee contains expense allowances for the attendance on Supervisory Board and committee meeting.

HOLDINGS OF MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

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 and convertible bonds held by each member of the Management Board and the Supervisory Board are listed below.

TAB. 13: DIRECTORS' HOLDINGS

Shares	01/01/2015	Additions	Sales	12/31/2015
Management Board				
Dr. Simon Moroney	452,885	42,353	0	495,238
Jens Holstein	2,000	16,132	14,132	4,000
Dr. Arndt Schottelius	2,000	16,132	16,132	2,000
Dr. Marlies Sproll	28,620	49,132	27,000	50,752
Total	485,505	123,749	57,264	551,990
Supervisory Board				
Dr. Gerald Möller	9,000	2,000	0	11,000
Dr. Walter Blättler ¹	2,019	0	0	-
Dr. Daniel Camus ¹	0	0	0	-
Dr. Marc Cluzel	500	0	0	500
Karin Eastham	1,000	1,000	0	2,000
Dr. Geoffrey Vernon ¹	0	0	0	-
Dr. Frank Morich ²	-	1,000	0	1,000
Wendy Johnson ^{2,3}	-	0	0	500
Klaus Kühn ²	-	0	0	0
Total	12,519	4,000	0	15,000

¹Dr. Walter Blättler, Dr. Daniel Camus and Dr. Geoffrey Vernon left the Supervisory Board of MorphoSys AG on 08. May 2015.

²Dr. Frank Morich, Wendy Johnson and Klaus Kühn joined the Supervisory Board of MorphoSys AG on 08. May 2015.

³500 shares have been acquired by Wendy Johnson before joining the Supervisory Board of MorphoSys AG.

Convertible Bonds	01/01/2015	Additions	Forfeitures	Exercises	12/31/2015
Management Board					
Dr. Simon Moroney	107,186	0	0	18,800	88,386
Jens Holstein	90,537	0	0	0	90,537
Dr. Arndt Schottelius	60,537	0	0	0	60,537
Dr. Marlies Sproll	93,537	0	0	33,000	60,537
Total	351,797	0	0	51,800	299,997

Performance Shares	01/01/2015	Additions	Forfeitures	Allocations	12/31/2015
Management Board					
Dr. Simon Moroney	54,655	13,062	0	23,553	44,164
Jens Holstein	37,434	8,946	0	16,132	30,248
Dr. Arndt Schottelius	37,434	8,946	0	16,132	30,248
Dr. Marlies Sproll	37,434	8,946	0	16,132	30,248
Total	166,957	39,900	0	71,949	134,908

DIRECTORS' DEALINGS

Members of MorphoSys AG's Management Board and Supervisory Board and persons related to such members are required to disclose any trading in MorphoSys shares under Sec. 15a of the German Securities Trading Act (WpHG).

During the reporting year, MorphoSys received the following notifications under Sec. 15a WpHG listed in the table below.

TAB. 14: DIRECTORS' DEALINGS IN 2015

Party Subject to the Notification Requirement	Function	Date of Transaction in 2015	Type of Transaction	Number of Stocks/ Derivatives	Average Share Price	Transaction Volume
Dr. Simon Moroney	CEO	12/16/2015	Purchase; convertible bonds were converted into MorphoSys AG shares; Dr. Moroney is holding the shares received	18,800	€ 16.79	€ 315,652.00
Dr. Marlies Sproll	CSO	12/16/2015	Sale; convertible bonds were converted into MorphoSys AG shares and subsequently sold	9,500	€ 56.1934	€ 533,837.30
Dr. Marlies Sproll	CSO	12/15/2015	Purchase; convertible bonds were converted into MorphoSys AG shares; Dr. Sproll is holding the shares received	14,000	€ 16.79	€ 235,060.00
Dr. Marlies Sproll	CSO	12/15/2015	Sale; convertible bonds were converted into MorphoSys AG shares and subsequently sold	9,500	€ 56.0253	€ 532,240.35
Dr. Arndt Schottelius	CDO	06/03/2015	Sale of MorphoSys AG shares; the shares were granted on 06/01/2015 within MorphoSys's long term incentive (LTI) program 2011 after a four-year waiting period. The shares were subsequently sold.	5,392	€ 66.1085	€ 356,457.03
Dr. Arndt Schottelius	CDO	06/03/2015	Sale of MorphoSys AG shares; the shares were granted on 06/01/2015 within MorphoSys's long term incentive (LTI) program 2011 after a four-year waiting period. The shares were subsequently sold.	5,370	€ 65.6735	€ 352,666.70
Dr. Arndt Schottelius	CDO	06/02/2015	Sale of MorphoSys AG shares; the shares were granted on 06/01/2015 within MorphoSys's long term incentive (LTI) program 2011 after a four-year waiting period. The shares were subsequently sold.	5,370	€ 66.0633	€ 354,759.92
Dr. Marlies Sproll	CSO	06/04/2015	Sale of MorphoSys AG shares; the shares were granted on 06/01/2015 within MorphoSys's long term incentive (LTI) program 2011 after a four-year waiting period. The shares were subsequently sold.	2,667	€ 65.6343	€ 175,046.68
Dr. Marlies Sproll	CSO	06/03/2015	Sale of MorphoSys AG shares;	2,667	€ 65.8605	€ 175,649.95

Party Subject to the Notification Requirement	Function	Date of Transaction in 2015	Type of Transaction	Number of Stocks/ Derivatives	Average Share Price	Transaction Volume
			the shares were granted on 06/01/2015 within MorphoSys's long term incentive (LTI) program 2011 after a four-year waiting period. The shares were subsequently sold.			
Dr. Marlies Sproll	CSO	06/02/2015	Sale of MorphoSys AG shares; the shares were granted on 06/01/2015 within MorphoSys's long term incentive (LTI) program 2011 after a four-year waiting period. The shares were subsequently sold.	2,666	€ 65.6746	€ 175,088.48
Jens Holstein	CFO	06/04/2015	Sale of MorphoSys AG shares; the shares were granted on 06/01/2015 within MorphoSys's long term incentive (LTI) program 2011 after a four-year waiting period. The shares were subsequently sold.	3,381	€ 65.6343	€ 221,909.57
Jens Holstein	CFO	06/03/2015	Sale of MorphoSys AG shares; the shares were granted on 06/01/2015 within MorphoSys's long term incentive (LTI) program 2011 after a four-year waiting period. The shares were subsequently sold.	5,381	€ 65.8605	€ 354,395.35
Jens Holstein	CFO	06/02/2015	Sale of MorphoSys AG shares; the shares were granted on 06/01/2015 within MorphoSys's long term incentive (LTI) program 2011 after a four-year waiting period. The shares were subsequently sold.	5,370	€ 65.6746	€ 352,672.60
Dr. Frank Morich	Deputy Chairman of the Supervisory Board	05/12/2015	Purchase of MorphoSys AG shares	1,000	€ 63.51	€ 63,510.00
Dr. Gerald Möller	Chairman of the Supervisory Board	03/27/2015	Purchase of MorphoSys AG shares	2,000	€ 56.70	€ 113,400.00
Karin Eastham	Member of the Supervisory Board	03/27/2015	Purchase of MorphoSys AG shares	1,000	US\$ 61.8129	US\$ 61,812.90

AVOIDING CONFLICTS OF INTEREST

Management Board and Supervisory Board members are required to refrain from any actions that could lead to a conflict of interest with their duties at MorphoSys AG. Such transactions or the secondary employment of Management Board members must be disclosed immediately to the Supervisory Board

and are subject to the Board's approval. The Supervisory Board, in turn, must inform the Annual General Meeting of any conflicts of interest and their handling. There were no conflicts of interest in the 2015 financial year.

STOCK REPURCHASES

By resolution of the Annual General Meeting on May 19, 2011 and superseded by the Annual General Meeting resolution on May 23, 2014, MorphoSys is authorized in accordance with Sec. 71 Para. 1 no. 8 AktG to repurchase its own shares in an amount of up to 10% of the existing common stock. This authorization can be exercised in whole or in part, once or several times by the Company or a third party on the Company's behalf for the purposes specified in the authorizing resolution. It is at the Management Board's discretion to decide whether to carry out a repurchase on a stock exchange, via a public offer or through a public invitation to submit a bid.

In April 2015, MorphoSys repurchased a total of 88,670 of its own shares based on the authorization from the year 2014. The Company plans to use these shares for a long-term incentive program for the Management Board and Senior Management Group. The authorization also permits the shares to be used for other lawful purposes.

INFORMATION TECHNOLOGY

During the 2015 financial year, the Information Technology department focused on IT security and optimizing the IT infrastructure. The entire IT infrastructure was tested for vulnerabilities and threat vectors allowing cyber-attacks using a detailed, multi-stage safety check by external IT experts. The results confirmed that MorphoSys has a state-of-the-art IT security system. The potential for optimization that was identified prompted further improvements.

A decisive factor for maintaining comprehensive IT security is not only technical security testing but also the behavior of employees. As part of an IT security campaign called the "IT Security Awareness Campaign," employees were made more aware of IT security through a variety of activities.

In the R&D area, the software and databases that support company-specific processes and technologies in antibody selection, characterization and production were developed further during the reporting year. The software used in this area is based on the GeneData Biologics software which is used throughout the industry and allows MorphoSys to quickly and reliably identify the most promising and differentiated drug candidates from the high number of antibody molecules technically available.

INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM CONCERNING THE ACCOUNTING PROCESS UNDER SEC. 289 PARA. 5 AND SEC. 315 PARA. 2 NO. 5 HGB

In the 2015 financial year, MorphoSys completed a routine update of the documentation for its existing internal control and risk management system. This update serves to maintain adequate internal control over financial reporting and to ensure the availability of all controls so that financial figures can be reported as precisely and accurately as possible. The COSO (Committee of Sponsoring Organizations of the Treadway Commission) defines the corresponding COSO framework ("Internal Control – Integrated Framework"). This is the framework used by MorphoSys and is the most commonly used for the internal control of financial reporting.

System constraints make it impossible to give absolute assurance that internal controls will always prevent or completely detect all misrepresentations made in the context of financial reporting. Internal controls can only provide reasonable assurance that financial reporting is reliable and verify that the financial statements were prepared in accordance with the German Commercial Code (HGB), the German Stock Corporation Act (AktG) as well as the Articles of Association.

The financial statements are subjected to a number of preparation, review and control processes so that the statements can be reported promptly to the market and shareholders. To accomplish this, the Company's executives have a coordinated plan for which all internal and external resources are made available. MorphoSys also uses a strict four-eye principle to ensure the accuracy of the key financial ratios reported and the underlying execution of all accounting processes. Numerous rules and guidelines are also followed to ensure the strict separation of the planning, posting and execution of financial transactions. This functional separation of processes is ensured by all of the Company's operating IT systems through the appropriate assignment of rights. External service providers routinely review the implementation of and compliance with these guidelines as well as the efficiency of the accounting processes. The reporting year's most recent review showed insignificant cause for action. The appropriate corrective actions are being planned, and their implementation will be reviewed again in the following year.

Predicting future events is not the purpose of MorphoSys's internal control and risk management system. The Company's risk management system does, however, ensure that business risks are detected and assessed as soon as possible. The risks identified are eliminated or at least brought to an acceptable level using appropriate corrective measures. Special attention is given to risks that could jeopardize the Company.

The Management Board ensures that risks are always dealt with responsibly and keeps the Supervisory Board informed of any risks and their development. Detailed information on the risks and opportunities encountered by MorphoSys can be found in the "Risk and Opportunity Report" (page 49).

ACCOUNTING AND EXTERNAL AUDIT

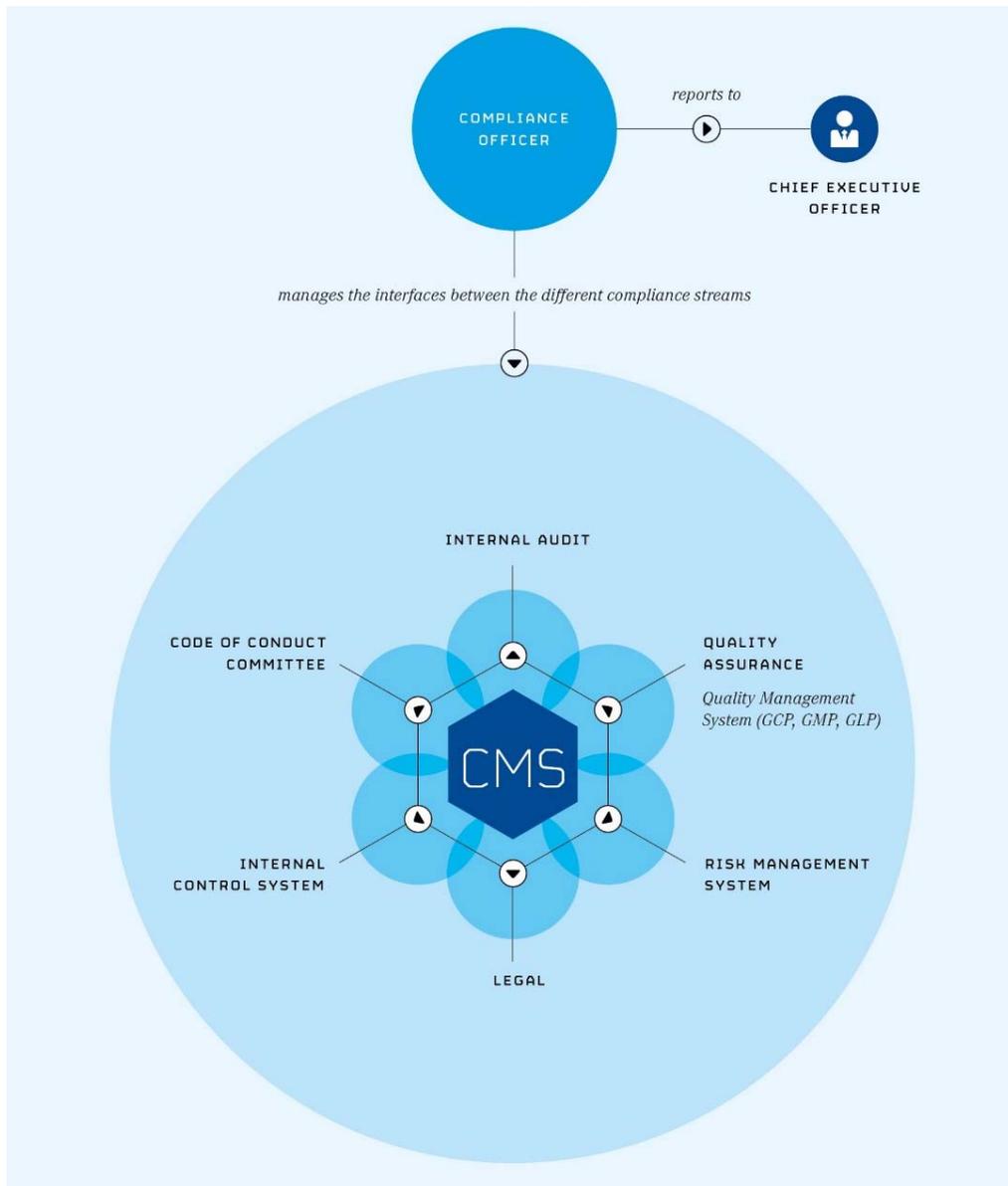
MorphoSys AG prepares its financial statements in accordance with the provisions of the German Commercial Code (HGB) and the Stock Corporation Act (AktG). The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable in the European Union.

For the election of the Company auditor, the Audit Committee of the Supervisory Board submits a nomination proposal to the Supervisory Board. At the 2015 Annual General Meeting, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft was appointed auditor for the 2015 financial year. As proof of its independence, the auditor submitted a Declaration of Independence to the Supervisory Board. Lead auditors of these financial statements were Mr. Dietmar Eglauer and Mr. Bodo Kleinschrod. Information on other consulting, audit and valuation services provided by PricewaterhouseCoopers AG to MorphoSys AG during the 2015 financial year can be found in the Notes (Item 7.1).

COMPLIANCE MANAGEMENT SYSTEM

The basic mechanisms of the compliance management system at MorphoSys are presented in the section entitled “Relevant Information on Corporate Governance Practices” on page 62. In addition to this information, the responsibilities within the compliance organization are shown in Figure 18.

FIG. 11: COMPLIANCE MANAGEMENT SYSTEM (CMS)



INTERNAL AUDIT DEPARTMENT

The Internal Audit Department is a key component of the Company’s compliance management system whose main duty is to provide MorphoSys AG with a systematic and uniform approach for evaluating

and improving the effectiveness of risk management and supporting the management and monitoring activities when meeting set targets. The audit and consulting firm KPMG was reappointed in 2015 to act as a co-sourcing partner in the internal auditing process.

Internal auditing is based on a risk-oriented internal audit plan that is largely based on the results of the most recent risk surveys. The Management Board and Supervisory Board Audit Committee's audit requirements and recommendations are included in the audit plan.

The Internal Audit Department reports regularly to the Management Board. The Head of Internal Audit and the Chief Executive Officer both report to the Supervisory Board's Audit Committee twice annually or on an ad hoc basis when necessary.

Four audits were conducted successfully in the course of 2015. A few areas requiring action were identified, and corrections were initiated or performed. Appropriate corrective action was initiated during the reporting year for any complaints. The Internal Audit Department is planning to carry out four audits in 2016.

Disclosures under Sec. 289 Para. 4, Sec. 315 Para. 4 HGB and Explanatory Report of the Management Board under Sec. 176 Para. 1 Sentence 1 AktG

COMPOSITION OF COMMON STOCK

As of December 31, 2015, the Company's statutory common stock amounted to €26,456,834.00 and was divided into 26,456,834 no-par-value bearer shares. Except for the 434,670 treasury shares held by the Company, the shares concerned are bearer shares with voting rights with each share carrying one vote at the Annual General Meeting.

RESTRICTIONS AFFECTING VOTING RIGHTS OR THE TRANSFER OF SHARES

The Management Board is not aware of any restrictions that may affect voting rights, the transfer of shares or those that may emerge from agreements between shareholders.

Voting right restrictions may also arise from the provisions of the German Stock Corporation Act (AktG), such as those under Sec. 136 AktG, or the provisions for treasury shares under Sec. 71b AktG.

SHAREHOLDINGS IN COMMON STOCK EXCEEDING 10 % OF VOTING RIGHTS

We have not been notified of or are aware of any direct or indirect interests in the Company's common stock that exceed 10% of the voting rights.

SHARES WITH SPECIAL RIGHTS CONFERRING POWERS OF CONTROL

Shares with special rights conferring powers of control do not exist.

CONTROL OVER VOTING RIGHTS WITH REGARD TO EMPLOYEE OWNERSHIP OF CAPITAL

Employees who hold shares in the Company exercise their voting rights directly in accordance with the statutory provisions and the Articles of Association as do other shareholders.

APPOINTMENT AND DISMISSAL OF MANAGEMENT BOARD MEMBERS AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The number of Management Board members, their appointment and dismissal and the nomination of the Chief Executive Officer are determined by the Supervisory Board in accordance with Sec. 6 of the Articles of Association and Sec. 84 AktG. The Company's Management Board currently consists of the Chief Executive Officer and three other members. Management Board members may be appointed for a maximum term of five years. Reappointments or extensions in the term of office are allowed for a maximum term of five years in each case. The Supervisory Board may revoke the appointment of a Management Board member or the nomination of a Chief Executive Officer for good cause within the meaning of Sec. 84 Para. 3 AktG. If a required member of the Management Board is absent, one will be appointed by the court in cases of urgency under Sec. 85 AktG.

As a rule, the Articles of Association can only be amended by a resolution of the Annual General Meeting in accordance with Sec. 179 Para. 1 sentence 1 AktG. Under Sec. 179 Para. 2 sentence 2 AktG in conjunction with Sec. 20 of the Articles of Association, MorphoSys's Annual General Meeting resolves amendments to the Articles of Association generally through a simple majority of the votes cast and a simple majority of the common stock represented. If the law stipulates a higher mandatory majority of votes or capital, this shall be applied. Amendments to the Articles of Association that only affect their wording can be resolved by the Supervisory Board in accordance with Sec. 179 Para. 1 sentence 2 AktG in conjunction with Sec. 12 Para. 3 of the Articles of Association.

POWER OF THE MANAGEMENT BOARD TO ISSUE SHARES

The Management Board's power to issue shares is granted under Sec. 5 Para. 5 through Para. 6e of the Company's Articles of Association as of December 31, 2015 and the following statutory provisions:

1. Authorized Capital
 - a. According to Sec. 5 Para. 5 of the Articles of Association, with the Supervisory Board's consent, the Management Board is authorized to increase the Company's common stock on one or more occasions by up to € 10,584,333.00 for cash contributions or contributions in kind by issuing up to 10,584,333 new, no-par-value bearer shares until and including April 30, 2020 (Authorized Capital 2015-I).

Shareholders are principally entitled to subscription rights. One or more credit institutions may also subscribe to the shares 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 shareholder subscription rights:

- aa) in the case of a capital increase for cash contribution, to the extent necessary to avoid fractional shares; or

- bb) in the case of a capital increase for contribution in kind; or
- cc) in the case of a capital increase for cash contribution when the new shares are placed on a foreign stock exchange in the context of a public offering.

The total shares to be issued via a capital increase against contribution in cash and/or in kind, excluding pre-emptive rights and based on the authorizations mentioned above, shall not exceed 20% of the common stock. The calculation used is based on either the effective date of the authorizations or the exercise of the authorizations, whichever amount is lower. The 20% limit mentioned above shall take into account (i) treasury shares sold excluding pre-emptive 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 from other authorized capital existing on the effective date of these authorizations and excluding pre-emptive rights during the effective period of these authorizations, and (iii) shares to be issued during the effective period of these authorizations to service convertible bonds and/or bonds with warrants whose basis for authorization exists on the effective date of these authorizations provided that the convertible bonds and/or bonds with warrants have been issued with the exclusion of the pre-emptive rights of shareholders (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 is authorized to determine the further details of the capital increase and its implementation.

- b. According to Sec. 5 Para. 6 of the Articles of Association, with the Supervisory Board's consent, the Management Board is authorized to increase the Company's common stock on one or more occasions by up to €2,622,088.00 for cash contributions by issuing up to 2,622,088 new, no-par-value bearer shares until and including April 30, 2019 (Authorized Capital 2014-I).

Shareholders are principally entitled to subscription rights. One or more credit institutions may also subscribe to the shares 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 shareholder subscription rights:

- aa) to the extent 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 at the time of the final determination of the issue price and the total number of shares issued against contribution in cash, excluding subscription rights during the term of this authorization, does not exceed 10% of the common stock on the date this authorization takes effect or at the time it is exercised, in accordance with or in the respective application of Sec. 186 Para. 3 sentence 4 AktG.

With the Supervisory Board's consent, the Management Board is authorized to determine the further details of the capital increase and its implementation.

2. Conditional Capital

- a. The previous Conditional Capital 1999-I under Sec. 5 Para. 6a of the Articles of Association was canceled by a resolution of the Annual General Meeting on May 23, 2014.
- b. According to Sec. 5 Para. 6b of the Articles of Association, the Company's common stock is conditionally increased by up to €6,600,000.00, divided into a maximum of 6,600,000 no-par-value bearer shares (Conditional Capital 2011-I). The conditional capital increase will only be executed to the extent that the holders of warrants or conversion rights resulting from convertible bonds or bonds with warrants, which were conferred by the Company until April 30, 2016 under the authorization of the Annual General Meeting of May 19, 2011, make use of their subscription rights or that the holders of convertible bonds, issued by the Company or one of its direct or indirect domestic or foreign wholly owned subsidiaries until April 30, 2016 and who are subject to a conversion obligation, meet their obligation to convert. The new shares participate in the Company's profits from the beginning of the financial year in which they were created through the exercise of conversion rights or the fulfillment of conversion obligations.
- c. According to Sec. 5 Para. 6c of the Articles of Association, the Company's common stock is conditionally increased by up to €116,848.00 through the issue of up to 116,848 new no-par-value bearer shares of the Company (Conditional Capital 2003-II). The conditional capital increase will only be executed to the extent that holders of convertible bonds exercise their conversion rights for conversion into ordinary shares of the Company. The new shares are first entitled to dividends for the financial year for which there was no resolution of the Annual General Meeting at the time of issuance as to the appropriation of accumulated income. With the Supervisory Board's consent, the Management Board is authorized to determine the further details of the capital increase and its implementation.
- d. The previous Conditional Capital 2008-II under Sec. 5 Para. 6d of the Articles of Association was canceled by a resolution of the Annual General Meeting on May 23, 2014.
- e. According to Sec. 5 Para. 6e of the Articles of Association, the Company's common stock is conditionally increased by up to €450,000.00 through the issue of up to 450,000 new no-par-value bearer shares of the Company (Conditional Capital 2008-III). The conditional capital increase will only be executed to the extent that holders of the convertible bonds exercise their conversion rights for conversion into ordinary shares of the Company. The new shares participate in the Company's profits from the start of the financial year, for which there was no resolution at the time of issuance on the appropriation of accumulated income. With the Supervisory Board's consent, the Management Board is authorized to determine the further details of the capital increase and its implementation.

POWER OF MANAGEMENT BOARD TO REPURCHASE SHARES

The Management Board's power to repurchase the Company's own shares is granted in Sec. 71 AktG and by the authorization of the Annual General Meeting of May 23, 2014:

Until and including the date of April 30, 2019, the Company is authorized to repurchase its own shares in an amount of up to 10% of the common stock existing at the time of the resolution (or possibly a lower

amount of common stock at the time of exercising this authorization) for any purpose permitted under the statutory limits. The repurchase takes place at the Management Board's discretion on either the stock exchange, through a public offer or public invitation to submit a bid. The authorization may not be used for the purpose of trading in the Company's own shares. The intended use of treasury shares acquired under this authorization may be found under agenda item 9 of the Annual General Meeting of May 23, 2014. These shares may be used as follows:

- a. The shares may be redeemed without the redemption or its execution requiring a further resolution of the Annual General Meeting.
- b. The shares may be sold other than on the stock exchange or shareholder offer if the shares are sold for cash at a price that is not significantly below the market price of the Company's shares of the same class at the time of the sale.
- c. The shares may be sold for contribution in kind, particularly in conjunction with company mergers, acquisitions of companies, parts of companies or interests in companies.
- d. The shares may be used to fulfill subscription or conversion rights resulting from the exercise of options and/or conversion rights or conversion obligations for Company shares.
- e. The shares may be offered or transferred to employees of the Company and those of affiliated companies, members of the Company's management and those of affiliated companies and/or used to meet commitments or obligations to purchase Company shares that were or will be granted to employees of the Company or those of affiliated companies, members of the Company's management or managers of affiliated companies. The shares may also be used to fulfill obligations or rights to purchase Company shares that are agreed with the employees, members of the senior management of the Company and its affiliates in the context of employee participation programs.

If shares are used for the purposes mentioned above, shareholder subscription rights are excluded, with the exception of share redemptions.

MATERIAL AGREEMENTS MADE BY THE COMPANY THAT FALL UNDER THE CONDITION OF A CHANGE OF CONTROL AFTER A TAKEOVER BID

In 2012, MorphoSys and Novartis Pharma AG extended their original cooperation agreement. Under this agreement, in specific cases of a change of control, Novartis Pharma AG is entitled but not obliged to take various measures that include the partial or complete termination of the collaboration agreement.

Under Sections 29 and 30 of the German Securities Acquisition and Takeover Act (WpÜG), a change of control applies when 30% or more of the Company's voting rights are acquired.

COMPENSATION AGREEMENTS CONCLUDED BY THE COMPANY WITH MANAGEMENT BOARD MEMBERS AND EMPLOYEES IN THE EVENT OF A TAKEOVER BID

Following a change of control, Management Board members may terminate their employment contract and demand the fixed salary still outstanding until the end of the contract period. Moreover, in such a case, all stock options, convertible bonds and performance shares granted will become vested immediately and can be exercised after the expiration of the statutory vesting or blackout periods.

Following a change of control, Senior Management Group members may also terminate their employment contract and demand a severance payment equal to one annual gross fixed salary. Moreover, in such a case, all stock options, convertible bonds and performance shares granted will become vested immediately and can be exercised after the expiration of the statutory vesting or blackout periods.

The following cases constitute a change of control: (i) MorphoSys transfers all or a material portion of the Company's assets to an unaffiliated entity, (ii) MorphoSys merges with an unaffiliated entity or (iii) a shareholder or third party directly or indirectly holds 30% or more of MorphoSys's voting rights.

Allocation of Profit

For fiscal year 2015, MorphoSys AG accounts for an accumulated income of € 14,857,059.50 (31 December 2014: € 12,299,300.63). In the Supervisory Board meeting on March 16, 2016, the Management Board recommends that the Supervisory Board proposes to the Annual General Meeting on June 02, 2016 the following resolution on the allocation of accumulated income:

In €	2015
a. Allocation to Shareholders	0.00
b. Allocation to Other Earnings Reserves	0.00
c. Profit Carried Forward	14,857,059.50
d. Accumulated Income	14,857,059.50

The financial statements of MorphoSys AG prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG) are published in the electronic Federal Gazette.

Subsequent Events

There have been no significant changes in the industry environment since the end of the 2015 financial year. Other events having a material impact on the net assets, financial position and results of operations have also not occurred after the end of the financial year.

Annual Financial Statements of MorphoSys AG as of December 31, 2015 (German GAAP)

MorphoSys AG, Martinsried

Balance Sheet as of 31. December 2015

ASSETS	12/31/2015 EUR	12/31/2015 EUR	12/31/2014 EUR
A. FIXED ASSETS			
I. Intangible Assets			
Paid concessions, commercial property rights and similar rights and assets and licenses to such rights and assets	37,929,381	37,929,381	31,639,588
II. Tangible Assets			
Land, leasehold rights and buildings, including leasehold improvements	46,350		73,682
2. Other equipment, furniture and fixtures	3,248,346		3,435,129
		3,294,696	3,508,811
III. Financial Assets			
1. Shares in affiliated companies	32,124,278		9,090,736
2. Shares in participations	0		1,726,633
		32,124,278	10,817,369
B. CURRENT ASSETS			
I. Inventories			
Raw materials, supplies and production materials	235,260		289,126
		235,260	289,126
II. Receivables and Other Assets			
1. Trade accounts receivable (thereof due within one year EUR 11,242,070, prior year: EUR 14,887,707)	11,242,070		14,887,707
2. Receivables due from affiliated companies (thereof due within one year EUR 3,035,693, prior year: EUR 10,008,659)	3,035,693		10,008,659
3. Other assets (thereof due after one year EUR 15,510,989 prior year: EUR 50,030,000)	113,516,472		201,979,394
		127,794,235	226,875,760
III. Securities			
Other securities	97,208,159		107,085,971
		97,208,159	107,085,971
IV. Cash on Hand and Cash at Banks	79,508,835	79,508,835	31,656,113
C. PREPAID EXPENSES	1,460,780	1,460,780	1,377,255
		379,555,624	413,249,993

LIABILITIES AND SHAREHOLDERS EQUITY	12/31/2015 EUR	12/31/2015 EUR	12/31/2014 EUR
A. EQUITY			
I. Common Stock (Nominal Value of the Conditional Capital as of December 31, 2015: € 7,086,000; December 31, 2014: € 7,166,848)	26,537,682		26,456,834
Treasury Stock	(434,670)		(450,890)
		26,103,012	26,005,944
II. Additional Paid-in Capital	295,227,837	295,227,837	293,951,248
III. Earnings Reserves			
Other earnings reserves	13,268,841	13,268,841	5,394,497
IV. Accumulated Income	14,857,060	14,857,060	12,299,301
		349,456,750	337,650,990
B. PROVISIONS			
1. Tax provisions	1,498,309		777,281
2. Other provisions	25,701,347		20,133,427
		27,199,656	20,910,708
C. LIABILITIES			
1. Bonds (thereof convertible EUR 225,000, prior year: EUR 251,679)	225,000		251,679
2. Trade accounts payable	264,126		246,989
3. Liabilities due to affiliated companies	134,355		134,652
4. Other liabilities (thereof due within one year EUR 1,626,011, prior year: EUR 1,476,811) (thereof for taxes EUR 1,625,866, prior year: EUR 842,598)	1,626,011		1,476,811
		2,249,492	2,110,131
D. DEFERRED REVENUE	649,726	649,726	52,578,164
		379,555,624	413,249,993

Statement of Income from 1 January through 31 December 2015

		2015 EUR	2014 EUR
1.	Sales	102,675,416	61,889,600
2.	Cost of sales	(82,655,116)	(63,148,655)
3.	Gross profit on sales	20,020,300	(1,259,055)
4.	Selling expenses	(2,129,827)	(2,548,876)
5.	General administration expenses	(17,473,337)	(19,163,858)
6.	Other operating income	16,779,449	16,993,743
	thereof gain on exchange	154,794	403,312
7.	Other operating expenses	(1,018,987)	(528,441)
	thereof loss on exchange	(460,065)	(449,074)
8.	Income from investments	16,498	946,372
	thereof from affiliated companies	16,498	946,372
	Income from other securities and loans presented under financial assets	92,115	732,487
9.	Other interest and similar income	1,726,092	1,072,773
	thereof interest income from the deduction of accrued interest of non-current provisions	77,817	92,143
11.	Impairment of financial assets and of current securities	(41,906)	(950,585)
	thereof from affiliated companies	(41,906)	(950,585)
12.	Losses from other securities and loans presented under financial assets	(427,158)	(138,963)
13.	Other Interest and similar expenses	(35,309)	(200,589)
	thereof interest expense from the addition of accrued interest of non-current provisions	(35,309)	(98,213)
14.	Result from ordinary activities	17,507,930	(5,044,992)
15.	Extraordinary expenses	0	(1,109)
16.	Extraordinary result	0	(1,109)
17.	Income tax	(3,841,345)	136,041
18.	Other taxes	(20,732)	(12,773)
19.	Net profit / (Net loss)	13,645,853	(4,922,833)
20.	Profit carried forward	12,299,301	17,222,134
21.	Withdrawal from other earnings reserves	5,301,314	7,715,944
22.	Settlement with the difference from purchase of treasury stock	(5,301,314)	(7,715,944)
23.	Settlement with the difference from transfer of treasury stock	2,087,564	0
24.	Allocation to other earnings reserves	(13,175,658)	0
25.	Accumulated Income	14,857,060	12,299,301

Notes to the Financial Statements

General Information

These annual financial statements were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. of the German Commercial Code (HGB), the corresponding provisions of the German Stock Corporation Act (AktG) and the Company's Articles of Association. The shares of MorphoSys AG (the "Company") are listed for trading in the Regulated Market (Prime Standard segment) of the Frankfurt Stock Exchange.

These annual financial statements were prepared in accordance with the regulations for large corporations. The statement of income has been structured in accordance with the cost of sales method for the purposes of comparison with the consolidated financial statements prepared pursuant to IFRS. The financial year corresponds to the calendar year.

The Company's registered office is located at Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany. The MorphoSys AG consolidated and separate financial statements can be viewed at this address.

Accounting and Valuation Principles

These annual financial statements were prepared on the basis of the following accounting and valuation principles.

When intangible assets acquired are subject to depletion, they are amortized using the straight-line method over the course of their expected useful lives. Research and development programs under development are recognized at acquisition cost and are only subject to amortization when their usefulness has been demonstrated in studies on the efficacy of the respective antibody program. These assets are reviewed at the balance sheet date and are carried at the lower of their carrying amount or fair value.

Tangible assets are carried at acquisition cost and depreciated on a straight-line basis over their expected useful lives. Low-value assets up to a value of € 410 are fully depreciated in the year they are acquired.

Financial assets are recognized at the lower of their acquisition cost or fair value.

Pursuant to Sec. 256 HGB, inventories are measured according to the FIFO method. Inventories are not subject to third party rights, except for the customary retention of title.

Receivables and other assets are recognized at nominal value. Risks are taken into account by means of write-off or impairment. Receivables denominated in foreign currencies are carried in accordance with Sec. 256a HGB. The realization principle is applied to non-current receivables.

The measurement of forward rate agreements qualifying as derivative financial instruments is based on the change in forward exchange rates. Recognition and measurement follow the imparity principle. Valuation units were not formed in the past financial year.

Other securities are recognized at the lower of acquisition cost or fair value in accordance with Sec. 253 Para. 4 HGB.

Cash and cash equivalents are carried at their nominal value as of the balance sheet date.

Prepayments are recognized as prepaid expenses on the balance sheet date insofar as they represent expenses for a certain period subsequent to the balance sheet date.

Capital subscribed is carried at nominal value. The nominal value of the shares repurchased is offset against the capital subscribed in accordance with Sec. 272 Para. 1a HGB, while the remaining amount of the total purchase price is offset against the other earnings reserves within equity.

Provisions cover all identifiable risks and uncertain obligations and are recognized at the settlement amount required according to prudent business judgment.

Liabilities are measured at the settlement amount. Liabilities denominated in foreign currencies are measured in accordance with Sec. 256a HGB. The imparity principle is applied to non-current liabilities.

Provisions have been recognized on a pro-rata basis for personnel expenses resulting from long-term incentive plans introduced in 2012, 2013, 2014 and 2015 because the repurchase of treasury shares for servicing the long-term incentive plan constitutes a financial burden on the Company.

The recognition of revenue for income from collaboration and research agreements is carried on the basis of the contractual terms and takes into account the realization principle of Sec. 252 Para. 1 no. 4 HGB and the accrual-based method of Sec. 250 Para. 2 HGB based on the contract period. Upfront payments made at the time of the conclusion of a contract that grants access to MorphoSys technology (e.g., HuCAL or Ylanthia) are spread over the term during which the rights of use are granted. License fees are recognized over the contract period. Revenue from milestone payments is recognized upon the achievement of certain criteria. Service fees pertaining to research and development collaborations are recognized in the period the services were rendered.

Any total tax charge that results from a difference between the carrying amounts of assets, liabilities, accruals and deferrals prescribed by commercial law and these items' tax carrying amounts that are likely to diminish in subsequent financial years, is recognized as a deferred tax liability in the balance sheet in accordance with Sec. 274 HGB. Any tax relief that results is not recognized as deferred tax assets in the balance sheet pursuant to the option granted in Sec. 274 Para. 1 sent. 2 HGB. The amount of the resulting tax charge and relief is measured at the Company-specific tax rates, applicable at the time the differences are reversed, and are not discounted. The line items reported are reversed as soon as the tax charge or benefit occurs or is no longer expected. The income or expense from changes in deferred tax assets or liabilities is recorded separately in the statement of income under the line item "Income tax".

Most of the amounts in this report are rounded to the nearest euro or million euros.

FOREIGN CURRENCY TRANSLATION

Current receivables and liabilities denominated in foreign currencies are translated on the basis of the mean spot exchange rate prevailing on the day of the transaction or the balance sheet date pursuant to Sec. 256a HGB. The Company did not recognize any non-current receivables or liabilities denominated in foreign currencies.

Notes to the Balance Sheet

INTANGIBLE ASSETS

Paid concessions, commercial property rights and similar rights and assets, as well as licenses to such rights and assets, amounted to € 37,929,381 as of December 31, 2015 (December 31, 2014: € 31,639,588). This sum included in-process R&D programs in the amount of € 32,748,987 (December 31, 2014: € 28,254,201). The increase of € 4,494,786 was related to a milestone payment to Emergent for MOR209 in the amount of US\$ 5 million. The in-process R&D programs were examined for impairment, and a need for impairment had not been identified as of the reporting date. In the reporting year, there were no impairment losses recognized on licenses for concessions, commercial property rights and similar rights and assets (2014: € 4,060,651).

Asset Class	Useful Life	Amortisation Rates
Paid concessions, commercial property rights and similar rights and assets and licenses to such rights and assets	8 - 10 years	13 % - 10 %
In-process R&D Programs	not yet subject for amortization	-
Software	3 - 5 years	33 % - 20 %

The development of intangible assets and the respective amortization in the financial year are presented in the statement of fixed assets.

FIXED ASSETS

The development of the individual line items under fixed assets and the respective depreciation and amortization in the financial year are presented in the statement of fixed assets.

Asset Class	Useful Life	Depreciation Rates
Computer Hardware	3 years	33%
Low-Value Laboratory and Office Equipment below € 410	Immediately	100%
Leasehold Improvements to Property/Buildings	10 years	10%
Office Equipment	8 years	13%
Laboratory Equipment	4 years	25%

FINANCIAL ASSETS

As of the December 31, 2015 reporting date, the Company recorded interests in affiliated companies of € 32,124,278 compared to € 9,090,736 as of December 31, 2014. This amount included the interest in Lanthio Pharma B.V. of € 26,075,448 (December 31, 2014: reported as a participation of € 1,726,633) and Sloning BioTechnology GmbH of € 6,048,830 (December 31, 2014: € 9,048,830).

The increase in the interest in Lanthio Pharma B.V., a biopharmaceutical company headquartered in Groningen, Netherlands, resulted from the purchase of the remaining outstanding shares in the company on May 7, 2015 for a one-time payment of € 20.0 million. Prior to this purchase, MorphoSys held a 19.98 % interest in Lanthio Pharma B.V. At the time of purchase, a conversion right into the company's shares was exercised that stemmed from a loan issued in 2015. In this transaction, the total nominal value of the loan of € 698,360 and accumulated interest of € 9,184 was converted into shares, which temporarily increased the interest in the company to 25.63 %. In the context of this purchase, incidental acquisition costs of € 141,271 occurred. On November 11, 2015, the value of the investment increased by a further € 3.5 million after MorphoSys made an additional contribution to Lanthio Pharma B.V.'s capital reserves.

Because of a repayment from the capital reserves of Sloning BioTechnology GmbH, the interest in this affiliated company dropped by € 3,000,000 in the financial year 2015.

Poole Real Estate Ltd., Oxford, UK, was liquidated during the financial year 2015, and the remaining assets were distributed to MorphoSys AG as the sole shareholder. The carrying amount of this interest as of December 31, 2014 was € 41,906.

The interests in affiliated companies are listed in the following overview.

	Currency	Exchange Rate on Dec 31, 2015 one Unit of Euro in Local Currency	Stake in %	Equity in domestic currency	Profit / Loss for the Year in domestic currency
Foreign					
Lanthio Pharma B.V., Groningen, The Netherlands	€	-	100.00	3,377,506 **	7,242
LanthioPep B.V., Groningen, The Netherlands *	€	-	100.00	**	(3,449,255)
Domestic					
Sloning BioTechnology GmbH, Martinsried, Germany	€	-	100.00	1,537,022	2,925,256

* Indirect subsidiary via Lanthio Pharma B.V.

** Disclosure of equity of the Lanthio group

INVENTORIES

As of the balance sheet date, inventories amounted to € 235,260 (December 31, 2014: € 289,126) and consisted exclusively of raw materials, supplies, and production materials.

TRADE ACCOUNTS RECEIVABLE

As of December 31, 2015, MorphoSys AG recorded trade accounts receivable of € 11,242,070 (December 31, 2014: € 14,887,707). All trade accounts receivable are due within one year. Based on the Management Board's assessment, valuation allowances were not made in the financial years 2015 and 2014.

RECEIVABLES DUE FROM AFFILIATED COMPANIES

As of December 31, 2015, receivables due from affiliated companies amounted to € 3,035,693 (December 31, 2014: € 10,008,659). These included trade accounts receivable of € 35,693 (December 31, 2014: € 8,659).

As of December 31, 2015, a receivable of € 3,000,000 due from Sloning BioTechnology GmbH because of a reduction in the capital reserves was recorded as a receivable due from affiliated companies (December 31, 2014: € 10,000,000).

OTHER ASSETS

Other assets totaled € 113,516,472 as of December 31, 2015 (December 31, 2014: € 201,979,394).

As of December 31, 2015, the Company held financial assets of € 109,870,393. These were recorded under other assets and comprised various fixed deposits (December 31, 2014: € 198,623,068). Interest income from these financial assets was recognized in the statement of income in the line item "Other

interest and similar income". The risk associated with these financial instruments is primarily bank credit risk. There was no indication of impairment in the financial year 2015.

According to the Group's hedging policy, highly probable future cash flows and clearly identifiable foreign currency receivables that are expected to be collected within a 24-month period are reviewed for hedging requirements. As of December 31, 2015, there were 15 outstanding forward rate agreements with terms of up to 12 months and a nominal value of € 14,030,500 (December 31, 2014: 24 forward rate agreements with a nominal value of € 8,333,170). The nominal volume is equal to the contract values of the individual forward rate agreements. The fair value of these contracts as of December 31, 2015 is equivalent to an unrealized gross profit of € 749,929 and an unrealized gross loss of € 24,984 (December 31, 2014: unrealized gross profit of € 44,506 and unrealized gross loss of € 0).

Rent security deposits granted in previous years amounted to € 551,497 (December 31, 2014: € 551,497) and were recognized separately under other assets.

As of December 31, 2015, impairments of other assets amounting to € 213,848 were recognized due to doubt concerning the enforcement of claims.

Other assets also contained a receivable due from tax authorities from excess VAT payments.

SECURITIES

Securities consisted of marketable securities in the amount of € 64,089,093 (December 31, 2014: € 99,597,712) as well as marketable bonds of € 33,119,067 (2014: € 7,488,259). As of December 31, 2015, impairment for unrealized losses on marketable securities was € 0 (2014: € 64,291) and € 479,837 (2014: € 83,650) related to marketable bonds. The changes of € 64,291 and € 396,187 were recognized in profit and loss.

COMMON STOCK

On December 31, 2015, the Company had capital subscribed in the amount of € 26,537,682 (December 31, 2014: € 26,456,834) divided into 26,537,682 no-par-value bearer shares (December 31, 2014: 26,456,834 shares). With the exception of the 434,670 treasury shares (2014: 450,890 treasury shares) held by the Company, the shares concerned are bearer shares with dividend entitlements and voting rights with each share carrying one vote at the Annual General Meeting.

The rise in capital subscribed of € 80,848, or 80,848 shares, resulted from the exercise of convertible bonds granted to the Management Board and Senior Management Group.

Pursuant to Sec. 200 AktG, the capital increases from conditional capital became effective with the issuance of the new shares. In accordance with Sec. 203 AktG in conjunction with Sec. 189 AktG, the capital increases are deemed executed and effective with their entry into the commercial register.

TREASURY STOCK

The Company's treasury stock is offset against the capital subscribed and developed as follows.

	Number of Company Shares	Value of Capital Subscribed in €
Treasury Stock as of 31 December 2010	79,896	79,896
Repurchase of Treasury Stock	84,019	84,019
Treasury Stock as of 31 December 2011	163,915	163,915
Repurchase of Treasury Stock	91,500	91,500
Treasury Stock as of 31 December 2012	255,415	255,415
Repurchase of Treasury Stock	84,475	84,475
Treasury Stock as of 31 December 2013	339,890	339,890
Repurchase of Treasury Stock	111,000	111,000
Treasury Stock as of December 31, 2014	450,890	450,890
Repurchase of Treasury Stock	88,670	88,670
Transfer of Treasury Stock	(104,890)	(104,890)
Treasury Stock as of December 31, 2015	434,670	434,670

As of December 31, 2015, treasury stock amounted to 1.64 % (December 31, 2014: 1.70 %) of the capital subscribed.

In April 2015, the Company repurchased 88,670 MorphoSys shares with a nominal value of € 1.00 each (0.33 % of the capital subscribed as of December 31, 2015) on the stock exchange and increased the amount of treasury stock accordingly. The treasury stock may be used for all purposes named in the authorization of the Annual General Meetings on May 19, 2011 and May 23, 2014, and particularly for any existing or future employee participation programs and/or to finance acquisitions. However, they may also be redeemed.

There was an offsetting effect from the transfer of 104,890 of the Company's own shares to the Management Board and Senior Management Group from the 2011 long-term incentive plan (LTI Plan). The vesting period for this LTI program expired on June 1, 2015.

AUTHORIZED AND CONDITIONAL CAPITAL

Compared to December 31, 2014, the number of authorized ordinary shares increased from 4,957,910 to 13,206,421. This resulted from the cancelation of Authorized Capital 2013-I totaling € 2,335,822 and the creation of new Authorized Capital 2015-I of € 10,584,333 at the Annual General Meeting on May 8, 2015. With the Supervisory Board's consent, the Management Board is authorized under Authorized Capital 2015-I to increase the Company's subscribed capital on one or more occasions up to € 10,584,333 by issuing up to 10,584,333 new, no-par value bearer shares until and including the date of April 30, 2020.

Compared to December 31, 2014, the number of ordinary shares of conditional capital decreased from 7,166,848 to 7,086,000 as a result of the exercise of 80,848 conversion rights in 2015. Entry into the commercial register of the reduction in Conditional Capital through the exercise of 80,848 conversion rights was applied for in January 2016.

ADDITIONAL PAID-IN CAPITAL

In relation to the capital increase described above, additional paid-in capital developed as follows.

	€
Status on January 1, 2015	293,951,248
Additions in Connection with the Exercise of Convertible Bonds	1,276,589
Status on December 31, 2015	295,227,837

The rise in additional paid-in capital totaling € 1,276,589 originated solely from the exercise of convertible bonds.

EARNINGS RESERVES

Other earnings reserves amounted to € 13,268,841 (December 31, 2014: € 5,394,497).

Other earnings reserves in the financial year 2015 developed as follows.

	€
Other earnings reserve as of January 1, 2015	5,394,497
Settlement with the difference from purchase of Treasury Stock	(5,301,314)
Settlement with the difference from transfer of Treasury Stock by Allocation to Other Earnings Reserves	2,087,564
Allocation to Other Earnings Reserves	11,088,094
Other earnings reserve as of December 31, 2015	13,268,841

In 2015, an amount of € 5,301,314 for the repurchase of treasury stock mainly to service the 2015 long-term incentive plan was offset against other earnings reserves. This was partly compensated by the reclassification of other provisions in the amount of € 2,087,564 related to the allocation of treasury stock from the 2011 long-term incentive plan. Furthermore, an amount of € 11,088,094 of the net profit for the financial year 2015 was allocated to other earnings reserves.

ACCUMULATED INCOME

In relation to the appropriation of the net profit for the financial year 2015, accumulated income developed as follows.

	€
Accumulated Income as of January 1, 2015	12,299,301
Net profit / (Net loss)	13,645,853
Withdrawal from Other Earnings Reserves	5,301,314
Settlement with the difference from purchase of Treasury Stock	(5,301,314)
Settlement with the difference from transfer of Treasury Stock	2,087,564
Allocation to Other Earnings Reserves	(13,175,658)
Accumulated Income as of December 31, 2015	14,857,060

In accordance with the resolution of the Annual General Meeting, the accumulated income as of December 31, 2014 was carried forward.

For fiscal year 2015, MorphoSys AG accounted for an accumulated income of € 14,857,060 (December 31, 2014: € 12,299,301). The net profit of € 13,645,853 for the financial year 2015 was partially allocated to other earnings reserves in the amount of € 11,088,094 by the Management Board and the Supervisory Board in accordance with Sec. 21 Para. 3 of the the Articles of Association. The remaining net profit of € 2,557,759 for the financial year 2015 was assigned to accumulated income.

In the Supervisory Board meeting on March 16, 2016, the Management Board recommends that the Supervisory Board proposes to the Annual General Meeting on June 02, 2016 to carry forward the accumulated income of € 14,857,060.

CONVERTIBLE BONDS

In the financial year 2015, a total of 80,848 convertible bonds were exercised at a weighted-average share price of € 59.86. Further information can be found in the section “Related Parties” in the Notes.

2010 PROGRAM

On April 1, 2010, 352,800 convertible bonds were granted to members of the Management Board and Senior Management Group. The exercise price of the convertible bonds was € 16.79 and equaled 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. Each convertible bond with a par value of € 0.33 entitled the conversion into one no-par value bearer share of the Group against payment of the exercise price. The beneficiaries only exercised their conversion rights after a vesting period of four years from the day they were granted. Exercise of the conversion rights was only possible if, on one trading day during the lifetime of the convertible bond, the share price reached at least 110 % of the exercise price as of the grant date.

In the financial year 2015, a total of 80,848 convertible bonds were exercised at a weighted-average share price of € 59.86 (2014: 235,952 convertible bonds at a weighted-average share price of € 69.69).

2013 PROGRAM

On April 1, 2013, MorphoSys AG granted the Management Board and members of the Senior Management Group convertible bonds with a total nominal value of € 225,000 and divided into 449,999 bearer bonds with equal rights from “Conditional Capital 2008-III”. The beneficiaries have the right to convert the bonds granted into shares of the Company. Each convertible bond may be exchanged for one

of the Company's bearer shares equal to its notional interest in the subscribed capital of currently € 1. The 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 issuance of the convertible bonds. The exercise of the conversion rights is admissible if, on at least one trading day during the lifetime of the convertible bonds, the Company's share price amounted to more than 120 % of the price in the XETRA closing auction of the Frankfurt Stock Exchange on the trading day preceding the issuance of the convertible bonds.

The exercise of the conversion rights is only admissible after the expiration of a four-year vesting period from the grant date. In the event of a change of control, the vesting period will be shortened to two years from the grant date. For every year without a notice of termination of the employment relationship with the Company or an affiliated company, 25 % of the conversion rights will become vested. In the event of a change of control, all unvested conversion rights become vested.

If an employment or service contract of a beneficiary is terminated without notice, no further conversion rights may be vested under the above-mentioned vesting scheme. Thus, upon rendition of the notice, all conversion rights still unvested by this time will expire without substitution. In the event of a contractual notice of termination of such an employment or service contract with the beneficiary or a mutually agreed dissolution contract, the previous sentence applies and becomes effective as of the date of termination of the employment or service contract.

The following table shows the development of the Company's convertible bond plans for employees in financial years 2015 and 2014.

	Convertible Bonds	Weighted-average Price €
Outstanding as of January 1, 2014	766,799	25.65
Granted	0	0.00
Exercised	(235,952)	16.79
Forfeited	0	0.00
Expired	0	0.00
Outstanding as of December 31, 2014	530,847	29.58
Outstanding as of January 1, 2015	530,847	29.58
Granted	0	0.00
Exercised	(80,848)	16.79
Forfeited	0	0.00
Expired	0	0.00
Outstanding as of December 31, 2015	449,999	31.88

On December 31, 2015, the number of vested convertible bonds totaled 225,000 shares (December 31, 2014: 193,348 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, 2015.

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	449,999	4.25	31.88	225,000	31.88
	449,999	4.25	31.88	225,000	31.88

LONG-TERM INCENTIVE PLANS

2011 LONG-TERM INCENTIVE PLAN

On June 1, 2011, MorphoSys established a long-term incentive plan (LTI plan) for the Management Board and the Senior Management Group. According to IFRS, 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 of MorphoSys AG if predefined key performance criteria are achieved. These criteria are assessed and approved annually by the Supervisory Board and include revenue, EBIT and the number of projects in the R&D portfolio. The fulfillment of these criteria is set at 100 % for three years and 110 % for one year. The Supervisory Board set the “company factor” at 1.3, meaning the number of shares to be allocated is scaled by a factor of 1.3. This factor also resulted in additional personnel expenses of € 0.5 million in the financial year 2015. Previously, personnel expenses resulting from the 2011 LTI program were recognized based on the assumption of a company factor of 1.0. Based on these terms and the company factor, a total of 104,890 ordinary shares of MorphoSys AG was allocated to beneficiaries on June 1, 2015 after the expiration of the four-year vesting period. A total of 71,949 of these shares were received by the Management Board and 32,941 by the Senior Management Group (further details can be found in the table in the section “Management Board Remuneration”).

In 2015, personnel expenses from stock options under the Group’s 2011 LTI plan amounted to € 698,898 (2014: € 416,002).

2012 LONG-TERM INCENTIVE PLAN

On April 1, 2012, MorphoSys established a second long-term incentive plan (LTI plan) for the Management Board and the Senior Management Group. The LTI plan is a performance-related share plan and will be paid out in ordinary shares of MorphoSys AG if predefined key performance criteria are achieved. These criteria are approved annually by the Supervisory Board.

The grant date was April 1, 2012 and the vesting period is four years. One fourth of the performance shares will become vested in each year of the four-year vesting period, provided that the performance criteria set for the respective period were met in full. The annual number of vested shares will be reduced to the extent that the performance criteria of the relevant year have been fulfilled between only

50 % and 99 %, and increased to the extent that the performance criteria were met by more than 100 % (maximum 200 %). If in one year the specified performance criteria are achieved by less than 50 %, no shares will become vested in that year. In any case, the maximum pay-out 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 seems unreasonable with regard to the general development of the Company. The right to receive a certain allocation of shares under the LTI plan, however, occurs only at the end of the four-year vesting period.

If the number of repurchased shares is not sufficient for servicing the LTI plan, MorphoSys reserves the right to pay a certain 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 prematurely ceases to hold an office at the MorphoSys Group before expiration of the four-year performance period, this member (or the member's heirs) is entitled to performance shares determined on a precise daily pro rata basis. If a Management Board member prematurely ceases to hold an office at the MorphoSys Group for good reason as defined by Sec. 626 Para. 2 of the German Civil Code (BGB) before expiration of the four-year performance period, the beneficiary will not be entitled to an allocation of performance shares. If a change of control occurs during the four-year vesting period, all performance shares will be considered fully vested. In each case above, the right to receive a certain allocation of shares under the LTI plan only occurs at the end of the four-year vesting period.

In April 2012, MorphoSys repurchased 91,500 of its own shares on the stock exchange at an average price of € 20.08 per share for the 2012 LTI plan. The repurchased shares may be used for all purposes named in the authorization of the Annual General Meetings on May 19, 2011 and May 23, 2014, particularly for any existing or future employee participation schemes and/or to finance acquisitions. The shares may also be redeemed.

These 91,500 shares were allocated to the beneficiaries retroactively on April 1, 2012 and included 57,967 shares for the Management Board (for further information, please see the table titled "Performance Shares" in Item 8.3 "Related Parties") and 33,533 shares for the Senior Management Group. The number of shares allocated is based on the full achievement of performance criteria and a company factor of 1. The fair value of the performance shares was € 19.24 per share on the grant date (April 1, 2012). No dividends were considered in determining the fair value of the repurchased shares because the Group does not intend to distribute any dividends in the foreseeable future. From the grant date until December 31, 2015, two beneficiaries left MorphoSys and, therefore, 4,051 performance shares were forfeited.

On October 1, 2012, MorphoSys established another long-term incentive plan (LTI plan) for Senior Management Group members. The terms of this plan were identical to the April 1, 2012 plan. A total of 2,292 shares were granted. The fair value was € 24.00 per share on the grant date.

In 2015, personnel expenses from stock options under the Group's 2012 LTI plan amounted to € 456,539 (2014: € 473,743).

2013 LONG-TERM INCENTIVE PLAN

On April 1, 2013, MorphoSys established another long-term incentive plan (LTI plan) for the Management Board and the Senior Management Group. The LTI plan is a performance-related share plan and will be paid out in ordinary 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, 2013 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 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 achieved by less than 50 %, no shares will become vested in that year. In any case, the maximum pay-out 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 considered unreasonable in view of the Company's general development. The right to receive a certain allocation of shares under the LTI plan occurs only at the end of the four-year vesting period.

If the number of repurchased shares is not sufficient for servicing the LTI plan, MorphoSys reserves the right to pay a certain 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 prematurely ceases to hold an office at the MorphoSys Group before expiration of the four-year performance period, the member (or the member's heirs) is entitled to performance shares determined on a precise daily pro rata basis. If a Management Board member prematurely ceases to hold an office at the MorphoSys Group for good reason as defined by Sec. 626 Para. 2 of the German Civil Code (BGB) before expiration of the four-year performance period, the beneficiary will not be entitled to an allocation of performance shares. If a change of control occurs during the four-year vesting period, all performance shares will be considered fully vested. In each case above, the right to receive a certain allocation of shares under the LTI plan only occurs at the end of the four-year vesting period.

In April and May of 2013, MorphoSys repurchased 84,475 of its own shares on the stock exchange at an average price of € 33.43 per share. The repurchased shares can be used for all purposes named in the authorizations of the Annual General Meetings on May 19, 2011 and on May 23, 2014 and particularly for any existing or future employee participation schemes and/or to finance acquisitions. The shares may also be redeemed.

Of these shares, 61,600 were allocated to beneficiaries retroactively effective April 1, 2013. This included 36,729 shares for the Management Board (for further information, please see the table titled "Performance Shares" in Item 8.3 "Related Parties") and 24,871 shares for the Senior Management Group. The number of shares allocated is based on the full achievement of performance criteria and a company factor of 1. On the grant date (April 1, 2013), the fair value of the performance shares was € 31.88 per share. No dividends were included in the determination of the fair value of the repurchased shares since the Group does not intend to distribute any dividends in the foreseeable future. From the grant date until December 31, 2015, one beneficiary left MorphoSys and, therefore, 772 performance shares were forfeited. For the calculation of the personnel expenses resulting from share-based payments under the 2013 LTI plan, it was assumed that one beneficiary will leave the Company during the four-year period.

On October 1, 2013, MorphoSys established another long-term incentive plan (LTI plan) for Senior Management Group members. The terms of the plan were identical to the April 1, 2013 plan. A total of 549 shares were granted. The fair value was € 57.39 per share on the grant date.

In 2015, personnel expenses from stock options under the Group's 2013 LTI plan amounted to € 512,487 (2014: € 518,789).

2014 LONG-TERM INCENTIVE PLAN

On April 1, 2014, MorphoSys established a fourth long-term incentive plan (LTI plan) for the Management Board and the Senior Management Group. The LTI plan is a performance-related share plan and will be paid out in ordinary 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, 2014 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 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 shares will become vested in that year. In any case, the maximum pay-out 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 certain allocation of shares under the LTI plan, however, occurs only at the end of the four-year vesting period.

If the number of repurchased shares is not sufficient for servicing the LTI plan, MorphoSys reserves the right to pay a certain 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 ceases to hold an office at the MorphoSys Group because of termination (or if the Management Board member terminates the employment contract), resignation, death, injury, disability, by reaching retirement age (receipt of a normal 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 ceases to hold an office at the MorphoSys Group for good reason as defined by Sec. 626 Para. 2 of the German Civil Code (BGB) and/or as defined by Sec. 84 Para. 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 certain allocation of shares under the LTI plan occurs only at the end of the four-year vesting period.

In March 2014, MorphoSys repurchased 111,000 of its own shares on the stock exchange at an average price of € 70.53 per share. The repurchased shares may be used for all purposes named in the authorizations of the Annual General Meetings on May 19, 2011 and May 23, 2014 and particularly for any existing or future employee participation schemes and/or to finance acquisitions. The shares may also be redeemed.

A total of 32,513 of these shares were allocated to beneficiaries on April 1, 2014 with 18,264 allocated to the Management Board (further details may be found in the table titled "Performance Shares" in Item 8.3 "Related parties") and 14,249 shares to the Senior Management Group. The number of shares allocated is based on the full achievement of performance criteria and a company factor of 1. The fair value of the performance shares on the grant date (April 1, 2014) was € 67.30 per share. This price was equivalent to the share price on the Frankfurt Stock Exchange (Xetra) on the trading day preceding the grant date. No dividends were included in the determination of the fair value of the repurchased shares because the Group does not intend to distribute any dividends in the foreseeable future. From the grant date until December 31, 2015, one beneficiary left MorphoSys and, therefore, 608 performance shares were forfeited. For the calculation of the personnel expenses from share-based payments under the 2014 LTI plan, it was assumed that one beneficiary will leave the Company during the four-year period.

In 2015, personnel expenses from stock options under the Group's 2014 LTI plan amounted to € 557,399 (2014: € 418,049).

2015 LONG-TERM INCENTIVE PLAN

On April 1, 2015, MorphoSys established a fifth long-term incentive plan (LTI plan) for the Management Board and the Senior Management Group. The LTI plan is a performance-related share plan and will be paid out in ordinary 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, 2015 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 shares vested each year is 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 exceeded 100 % (maximum 200 %). If in one year the performance criteria are met by less than 50 %, no shares will become vested in that year. In any case, the maximum pay-out 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 certain allocation of shares under the LTI plan only occurs at the end of the four-year vesting period.

If the number of repurchased shares is not sufficient for servicing the LTI plan, MorphoSys reserves the right to pay a certain 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 ceases to hold an office at the MorphoSys Group because of termination (or if the Management Board member terminates the employment contract), resignation, death, injury, disability, by reaching the retirement age (receipt of a normal 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 ceases to hold an office at the MorphoSys Group for good reason as defined by Sec. 626 Para. 2 of the German Civil Code (BGB) and/or as defined by Sec. 84 Para. 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 certain allocation of shares under the LTI plan occurs only at the end of the four-year vesting period.

In April 2015, MorphoSys repurchased 88,670 of its own shares on the stock exchange at an average price of € 60.79 per share for a total amount of € 5,389,984. The repurchased shares may be used for all purposes named in the authorization of the Annual General Meeting on May 23, 2014 and particularly for any existing or future employee participation schemes and/or to finance acquisitions. The shares may also be redeemed.

A total of 40,425 of these shares were allocated to beneficiaries on April 1, 2015: 21,948 were allocated to the Management Board (further details may be found in the table titled "Performance Shares" in Item 8.3 "Related parties") and 18,477 shares to the Senior Management Group. The number of shares allocated is based on the 100 % achievement of the performance criteria and a company factor of 1. The fair value of the performance shares as of the grant date (April 1, 2015) was € 58.81 per share. No dividends were considered in the determination of the fair value of the repurchased shares since the Group does not intend to distribute any dividends in the foreseeable future. From the grant date until December 31, 2015, no beneficiary left MorphoSys, and no performance shares have been forfeited. For the calculation of the personnel expenses from share-based payments under the 2015 LTI plan, it was assumed that one beneficiary will leave the Company during the four-year period.

In 2015, personnel expenses from stock options under the Group's 2015 LTI plan amounted to € 448,073 (2014: €0).

TAX PROVISIONS

As of December 31, 2015, MorphoSys AG recorded tax provisions of € 1,498,309 (December 31, 2014: € 777,281). This rise was mainly due to the positive result from ordinary activities in the financial year 2015.

OTHER PROVISIONS

The provisions cover all identifiable risks and uncertain liabilities. They consisted mainly of expenses for third-party laboratory services (2015: € 13,760,651; 2014: € 10,495,196), bonus payments (2015: € 2,143,943; 2014: € 2,532,125), personnel expenses from stock options under the Group's LTI plans (2015: € 4,410,407; 2014: € 3,971,975), onerous contracts and lease obligations for office premises, which will not be used anymore in the future (2015: € 1,250,000; 2014: € 0), consulting services (2015: € 625,002; 2014: € 309,879), license and inventor's remuneration (2015: € 90,563; 2014: € 419,520), outstanding vacation entitlements (2015: € 458,000; 2014: € 450,000), and legal consultation (2015: € 389,500; 2014: € 3,000).

LIABILITIES

The maturities of the liabilities are shown in the following overview. All liabilities are unsecured.

Type	Remaining Term of Liabilities			Total	
	up to 1 year	1 to 5 years	more than 5 years	12/31/2015 EUR	12/31/2014 EUR
1. Bonds, thereof convertible	0	225,000	0	225,000	251,679
2. Trade Accounts Payable	264,126	0	0	264,126	246,989
Liabilities due to Affiliated					
3. Companies	134,355	0	0	134,355	134,652
4. Other Liabilities	1,626,011	0	0	1,626,011	1,476,811
thereof Taxes	1,625,866	0	0	1,625,866	842,598

BONDS

On December 31, 2015, the Company had liabilities related to convertible bonds granted to Management Board members and employees of MorphoSys AG amounting to € 225,000 (December 31, 2014: € 251,679).

TRADE ACCOUNTS PAYABLE

As of December 31, 2015, MorphoSys AG recorded trade accounts payable of € 264,126 (December 31, 2014: € 246,989).

LIABILITIES DUE TO AFFILIATED COMPANIES

As of December 31, 2015, there were liabilities due to affiliated companies of € 134,355 (December 2014: € 134,652), which solely contained trade accounts payable.

OTHER LIABILITIES

Other liabilities as of December 31, 2015, included mainly liabilities to tax authorities for the deduction and payment of income tax in the amount of € 1,625,866 (December 31, 2014: € 842,598). As of December 31, 2014, other liabilities had also included debtors with credit balances of € 405,015.

DEFERRED REVENUE

Deferred revenue consists of deferred revenue for payments received from customers for which a service was not yet rendered. The increase in revenue recognized through release of prepayments in line with services performed was mainly the result of the termination of the co-development agreement with Celgene in March 2015.

In the years 2015 and 2014, deferred revenue developed as follows.

in €	2015	2014
Opening Balance	52,578,164	67,365,932
Prepayments Received	17,142,313	16,773,412
Revenue Recognised through Release of Prepayments in line with Services Performed	(69,070,751)	(31,561,180)
Closing Balance	649,726	52,578,164

OTHER FINANCIAL OBLIGATIONS

The following overview shows the other financial obligations from rental and lease agreements, insurance and other services as of December 31, 2015.

in €	Rent and Leasing	Other	Total
2016	2,239,252	839,838	3,079,090
2017	2,680,145	4,772	2,684,917
2018	2,700,916	0	2,700,916
2019	2,685,538	0	2,685,538
2020	2,685,538	0	2,685,538
more	16,560,814	0	16,560,814
Total	29,552,203	844,610	30,396,813

In addition, the following future payments may become due from currently active, terminable contracts for outsourced trials. These amounts may be substantially lower in the event of a trial's premature termination based on the respective contractual clauses.

in 000's €	Total 2015
up to 1 year	46,735
Between one year and five years	114,227
More than five years	0
Total	160,962

If certain milestones are achieved in the Proprietary Development segment, such as an application for an investigational new drug (IND) with regard to specific target molecules, this may trigger milestone payments to licensors. However, no further details can be published since the timing and achievement of such milestones are uncertain.

If a partner achieves certain milestones in the Partnered Discovery segment, such as the application for an investigational new drug (IND) with regard to specific target molecules or the transfer of a technology, this may trigger milestone payments to MorphoSys. However, no further details can be published since the timing and achievement of such milestones are uncertain.

Obligations may arise from enforcing the Company's patents against third parties. It is also conceivable that competitors challenge patents of MorphoSys Group companies or that MorphoSys concludes that MorphoSys's patents or patent families are infringed by competitors, which may prompt MorphoSys to take legal action against competitors. At present, there are no specific indications for the occurrence of liabilities as described above.

CONTINGENCIES

In financial year 2015, MorphoSys AG issued a letter of comfort in favour of Lanthio Pharma B.V. in which MorphoSys AG agreed under certain conditions to provide liquid funds of up to € 2.1 million for the safeguarding of a government grant. Due to a contribution to Lanthio Pharma B.V.'s capital reserves in the amount of € 3.5 million later in financial year 2015, the Company assumes that a claim from the comfort letter is not likely.

Notes to the Statement of Income

REVENUES

Revenues in the financial year 2015 increased by 66 % to € 102,675,416 (2014: € 61,889,600) compared to the prior year. This increase mainly originated from the recognition of deferred revenue from the termination of the MOR202 co-development and co-promotion agreement with Celgene.

In the financial year 2015, the majority of revenues were generated from the antibody collaborations and license agreements with Novartis, Celgene, and Centocor. Revenues of the Proprietary Development and Partnered Discovery segments contributed € 58,314,046 and € 44,361,370 to total revenues in 2015 (2014: € 14,635,034 and € 47,254,566).

Of total revenues, € 2,183,541 (2014: € 733,317) was attributed to domestic revenues and € 58,692,280 (2014: € 16,528,682) to biotechnology and pharmaceutical companies and non-profit organizations based in North America. Other European countries and Asia generated revenues of € 41,799,595 (2014: € 44,627,600).

COST OF GOODS SOLD

Cost of goods sold of € 82,655,116 (2014: € 63,148,655) included research and development costs comprising costs for external services of € 36,764,854 (2014: € 18,428,150), personnel expenses of € 30,403,718 (2014: € 27,104,397), costs related to intangible assets of € 3,756,745 (2014: € 8,294,117), material costs of € 2,740,928 (2014: € 2,323,843), infrastructure costs of € 6,031,288 (2014: € 4,398,287) and other costs of € 2,957,584 (2014: € 2,599,862). The rise in personnel expenses is mainly due to higher taxable non-cash employee benefits from the allocation and exercise of share-based remuneration programs by employees in research and development in 2015 (see explanation under "Personnel Expenses") and higher personnel expenses from the LTI plans' stock options. The rise in costs for external services is largely the result of higher expenditures for external laboratory services for MorphoSys's proprietary product development. There was no impairment of licenses for concessions, commercial property rights or similar rights in 2015 (2014: € 4,060,650).

SELLING EXPENSES

Selling expenses of € 2,129,827 (2014: € 2,548,876) included personnel expenses of € 1,482,792 (2014: € 1,851,430), costs for external services of € 258,007 (2014: € 412,375) and other costs of € 389,028 (2014: € 285,071).

GENERAL ADMINISTRATION EXPENSES

General administration expenses of € 17,473,337 (2014: € 19,163,858) contained primarily personnel expenses of € 13,373,919 (2014: € 14,305,338), costs for external services of € 2,775,413 (2014: € 3,034,763), costs related to intangible assets of € 301,833 (2014: € 357,976), infrastructure costs of € 4,203 (2014: € 558,468) and other costs of € 1,017,969 (2014: € 907,313). The decline in personnel expenses is mainly due to the lower taxable non-cash employee benefits from the allocation and exercise of share-based remuneration programs by employees under the administrative cost center in 2015 compared to 2014 (see explanation under "Personnel Expenses").

PERSONNEL EXPENSES

Personnel expenses of € 45,260,429 (2014: € 43,261,164) consisted of wages and salaries of € 36,504,512 (2014: € 36,229,042), social security contributions of € 3,462,131 (2014: € 3,224,919), personnel expenses from stock options under the Group's LTI plans of € 2,673,395 (2014: € 2,113,873), pension costs of € 969,819 (2014: € 765,339), costs for external support staff/temporary employees of € 503,651 (2014: € 319,598), and other costs of € 1,146,920 (2014: € 608,393). In 2015 and 2014, other personnel expenses mainly included recruitment costs.

The rise in personnel expenses was driven mainly by higher salary and social security expenses due to the higher number of employees (€ 512,682) and increased personnel expenses from stock options under the Group's LTI plans for MorphoSys AG employees. The € 559,522 increase in personnel expenses from stock options under the Group's LTI plans primarily resulted from the adjustment in the company factor from a factor of 1.0 to a factor of 1.3 by the Supervisory Board and the resulting increase in the number of shares issued under the 2011 long-term incentive plan. Because of this adjustment, the Company recognized additional personnel expenses in the financial year 2015.

Although MorphoSys AG executes the taxation of the non-cash benefit for active employees from the allocation and exercise of share-based remuneration, the employees are obliged to refund MorphoSys for this tax payment. In order to technically execute this taxation over the payroll, the basis for the assessment must be recorded under personnel expenses. From an accounting standpoint, this expense is offset by other operating income (see "Other Operating Income"). In 2015, this amount was € 9,467,290 (2014: € 11,764,354). The decline in the assessment basis in 2015 was due to the lower number of transactions versus the previous year and a lower mean average share price than in 2014.

MATERIAL EXPENSES

Material expenses of € 2,817,118 (2014: € 2,402,698) mostly concerned expenses for raw materials, supplies and production materials of € 2,730,227 (2014: € 2,334,044) and costs for printed materials of € 53,501 (2014: € 86,660). Material expenses in the years 2015 and 2014 did not contain any purchased services.

OTHER OPERATING INCOME

Other operating income amounted to € 16,779,449 compared to € 16,993,742 in 2014. This amount included € 9,706,325 (2014: € 11,896,973) in refunded taxes paid as well as the correction of the assessment base for the taxation of non-cash benefits (see also the explanations on “Personnel Expenses”). This amount also includes € 1,930,860 (2014: € 2,140,631) in personnel expenses passed on in the context of co-development agreements as well as services rendered by an affiliated company for orders. Other operating income also included income related to prior periods from the release of provisions recognized in the previous year as well as other operating income of € 3,618,402 (2014: € 2,355,349), government grants of € 292,839 (2014: € 127,410), currency gains of € 154,794 (2014: € 403,312) and gains from currency hedges of € 1,076,229 (2014: € 44,506).

OTHER OPERATING EXPENSES

Other operating expenses totaled € 1,018,987 (2014: € 528,441) and consisted mainly of currency losses of € 460,065 (2014: € 449,074), impairment of other assets of € 213,848 (2014: €0) and losses from forward rate agreements of € 286,951 (2014: € 6,317).

INCOME FROM INVESTMENTS

In the financial year 2015, a total of € 16,498 (2014: € 946,372) of the profit carried forward of the subsidiary Poole Real Estate Ltd. was distributed to MorphoSys AG.

INCOME FROM OTHER SECURITIES AND LOANS PRESENTED UNDER FINANCIAL ASSETS

Income from other securities and loans presented under financial assets of € 92,115 (2014: € 732,487) solely comprised realized gains on marketable securities.

OTHER INTEREST AND SIMILAR INCOME

This line item in the amount of € 1,726,092 (2014: € 1,072,773) consisted mainly of interest income from bank deposits and financial investments classified as other assets amounting to € 1,648,276 (2014: € 978,071) and interest income of € 77,817 from the discounting of non-current provisions for personnel expenses resulting from stock options under the LTI plan (2014: € 92,143).

IMPAIRMENT OF FINANCIAL ASSETS AND CURRENT SECURITIES

As part of a distribution made by the subsidiary Poole Real Estate Ltd. to MorphoSys AG, the carrying amount of the investment in this affiliated company was reduced by € 16,498. In December, the residual carrying amount from the investment in Poole Real Estate Ltd. was fully written off following its liquidation and distribution of the assets to MorphoSys AG. This resulted in an expense of € 25,408.

LOSSES FROM OTHER SECURITIES AND LOANS PRESENTED UNDER FINANCIAL ASSETS

Losses from other securities and loans presented under financial assets in the amount of € 427,158 (2014: € 138,963) included unrealized losses resulting from the measurement and realized losses from the sale of marketable securities and bonds.

OTHER INTEREST AND SIMILAR EXPENSES

Interest expenses included € 35,309 (2014: € 98,213) for the accrued interest on non-current provisions for personnel expenses from the LTI plans' stock options. In 2014, expenses had also included interest on corporate bonds totaling € 102,214 (2015: € 0).

EXTRAORDINARY RESULT

The extraordinary result in the reporting year was € 0. In 2014, the extraordinary result amounted to € -1,109 due to a merger loss from the merger of MorphoSys IP GmbH into MorphoSys AG.

TAXES ON INCOME

After an income tax benefit of € 136,041 in 2014, an income tax expense of € 3,841,345 was recognized in 2015. This rise was mainly due to the positive result from ordinary activities in the financial year 2015. The income tax benefit in 2014 arose from a tax loss carryback for corporate tax purposes for the financial year 2014 as defined by Sec. 8 Para. 1 KStG (Corporation Tax Act) in conjunction with Sec. 10d Para. 1 sent. 1 EStG (Income Tax Act).

The taxable profit in the financial year 2015 led to the full usage of tax loss carryforwards for corporate and trade tax purposes. As of December 31, 2014, MorphoSys AG had tax loss carryforwards for corporate tax purposes of € 4,378,879 and € 4,945,773 for trade tax purposes.

Differences between commercial law and tax law regulations resulted in the recognition of temporary differences in MorphoSys AG's balance sheet. The determination of these temporary differences was based on a tax rate of 26.675 %. The Company has opted to offset deferred tax assets against deferred tax liabilities. The resulting total deferred tax relief is not recognized in the balance sheet as deferred tax assets pursuant to the option granted in Sec. 274 Para. 1 sent. 2 HGB. The deferred differences existing as of December 31, 2015 and December 31, 2014 resulted from temporary differences from the impairment of the carrying amount of an affiliated company in the balance sheet under commercial law, the varied recognition of additional acquisition costs for paid concessions, commercial property rights and similar rights and assets, licenses to such rights and assets, forward rate agreements and the recognition of provisions. In addition, a tax reconciliation item in 2015 related to other securities caused temporary differences in the balance sheet under commercial law and tax law. These differences would have resulted in deferred tax assets. As of December 31, 2015 and December 31, 2014, there were no deferred differences that would have resulted in deferred tax liabilities. Accordingly, the statement of income for the financial years 2015 and 2014 did not include any tax effects from the change in recognized deferred taxes.

Other information

SUPERVISORY BOARD

As of December 31, 2015, the Company's Supervisory Board members were active in the Supervisory Boards or comparable supervisory bodies of the following companies.

Name	Place of Residence	Year of Birth	Actual Occupation	MorphoSys Supervisory Board	Memberships in other Supervisory Boards or Executive Bodies
Dr. Gerald Möller	Heidelberg, Germany	Year of Birth: 1943	Chairman of the Supervisory Board of MorphoSys AG as well as member of another supervisory board and member of comparable domestic and foreign supervisory boards of commercial enterprises	Member since 1999 Chairman Member of the Remuneration & Nomination Committee	4sigma Inc., BM (Chairman of the Board of Directors) Adrenomed AG, DE (Member of the Supervisory Board) Ayoxxa Biosystems GmbH, DE (Chairman of the Advisory Board) Gentecel SA, FR (Deputy Chairman of the Supervisory Board) Invendo Medical GmbH, DE (Chairman of the Advisory Board)
Dr. Frank Morich	Berlin, Germany,	Year of Birth: 1953	Independent Consultant of the life sciences and healthcare industries	Member since 2015 Deputy Chairman Member of the Science & Technology Committee	No memberships
Dr. Marc Cluzel	Montpellier, France	Year of Birth: 1955	Member of the Supervisory Board of MorphoSys AG as well as member of a comparable foreign supervisory board of a commercial enterprise	Member since 2012 Member Chairman of the Science & Technology Committee Member of the Remuneration & Nomination Committee	Moleac Pte. Ltd., SG (Member of the Board of Directors)
Karin Eastham	Rancho Santa Fe California, USA	Year of Birth: 1949	Member of the Supervisory Board of MorphoSys AG as well as member of comparable foreign supervisory boards of commercial enterprises	Member since 2012 Member Member of the Audit Committee Chairman of the Remuneration & Nomination Committee	llumina, Inc., USA (Member of the Board of Directors) Geron Corp., USA (Member of the Board of Directors) Veracyte, Inc., USA (Member of the Board of Directors)
Wendy Johnson	San Diego, California, USA	Year of Birth: 1952	Managing Director, Gemini Advisors, USA, and Interim Chief Operating Officer, AmpliPhi Biosciences Corp., USA	Member since 2015 Member Member of the Audit Committee Member of the Science & Technology Committee	AmpliPhi Biosciences, USA (Member of the Board of Directors)
Klaus Kühn	Grevenbroich, Germany	Year of Birth: 1952	Member of the Supervisory Board of MorphoSys AG as well as chairman and member of comparable domestic supervisory boards of commercial enterprises	Member since 2015 Member Chairman of the Audit Committee	Flossbach von Storch AG, DE (Chairman of the Supervisory Board) Hella KGaA Hueck & Co., DE (Member of the Supervisory Board, Member of the Shareholders' Committee)

CORPORATE GOVERNANCE

In December 2002, the Company pledged to adhere to the corporate governance principles in compliance with the provisions of the German Corporate Governance Code, which has subsequently been amended.

On December 3, 2015, the Company published the Declaration of Conformity of the Management Board and Supervisory Board pursuant to Sec. 161 AktG and made it permanently available to its shareholders. This declaration can be found on Company's website (www.morphosys.com).

MANAGEMENT BOARD

Dr. Simon Moroney, Chemist, Pöcking, Germany (Chief Executive Officer)

Jens Holstein, Business Administration graduate, Bad Vilbel, Germany (Chief Financial Officer)

Dr. Arndt Schottelius, Physician, Munich, Germany (Chief Development Officer)

Dr. Marlies Sproll, Biologist, Munich, Germany (Chief Scientific Officer)

Management Board members do not have mandates on the supervisory boards of other publicly listed companies. However, Dr. Moroney was a Member of the Supervisory Board of ProtAffin AG, Graz, Austria, until January 15, 2015. This activity was approved by the Supervisory Board.

TOTAL REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The remuneration of the Management Board and the Supervisory Board comprised fixed and variable components, as well as other remuneration. If a member is not reappointed and the employment relationship is not extended, the employment contract expires at the end of the contract period without a severance payment. Following the end of the contract, there is a six-month non-compete agreement. During this period, the Management Board member is entitled to a compensation payment of 100 % of the contractually fixed remuneration. In the year 2015, the total remuneration of the Supervisory Board, excluding reimbursements for travel costs, amounted to € 529,270 (2014: € 514,480).

While in the management report the remuneration of the Management Board and Supervisory Board, as members of management in key positions, is presented in accordance with the provisions of the German Corporate Governance Code, the following tables show in detail the information as required according to Sec. 285 number 9 HGB.

MANAGEMENT BOARD REMUNERATION FOR THE YEARS 2015 AND 2014:

in €	Dr. Simon Moroney Chief Executive Officer		Jens Holstein Chief Financial Officer	
	2014	2015	2014	2015
	Fixed Compensation	426,502	445,736	289,335
Fringe Benefits	29,444	36,887	33,722	39,735
One -Year Variable Compensation	324,696	238,692	220,271	161,926
Total Short-Term Employee Benefits	780,642	721,315	543,328	504,045
Service Cost	125,730	138,280	86,866	90,800
Total Benefit Expenses - Post-Employment Benefits	125,730	138,280	86,866	90,800
Multi-Year Variable Compensation*, **: <ul style="list-style-type: none"> 2011 Long-Term Incentive Program (Vesting Period 4 Years) 2012 Long-Term Incentive Program (Vesting Period 4 Years) 2013 Long-Term Incentive Program (Vesting Period 4 Years) 2014 Long-Term Incentive Program (Vesting Period 4 Years) 2015 Long-Term Incentive Program (Vesting Period 4 Years) 	91,887	163,702	62,937	112,117
	95,271	95,271	65,254	65,254
	100,367	100,367	68,744	68,744
	79,074	105,431	54,160	72,213
	0	81,892	0	56,091
Total Stock-Based Compensation	366,599	546,663	251,095	374,419
Total Compensation	1,272,971	1,406,258	881,289	969,264

* The fair value was determined at the grant date in accordance with the provisions of Sec. 285 no. 9a HGB. This table depicts the pro rata share of personnel expenses resulting from share-based payments for the respective financial year. Further details can be found in the Notes.

** The amounts presented deviate from those found in the consolidated financial statements because, for IFRS purposes, the fair value was determined according to the provisions of IFRS 2 "Share-based Payment". In the consolidated financial statements, this item shows the pro rata share of personnel expenses resulting from share-based payments for the respective financial year.

Dr. Arndt Schottelius Chief Development Officer		Dr. Marlies Sproll Chief Scientific Officer		Total	
2014	2015	2014	2015	2014	2015
289,335	302,384	289,335	302,384	1,294,507	1,352,888
32,508	29,889	22,828	22,954	118,502	129,465
215,208	156,635	210,144	156,635	970,319	713,888
537,051	488,908	522,307	481,973	2,383,328	2,196,241
86,653	94,064	86,628	94,085	385,877	417,229
86,653	94,064	86,628	94,085	385,877	417,229
62,937	112,117	62,937	112,117	280,698	500,053
65,254	65,254	65,254	65,254	291,033	291,033
68,744	68,744	68,744	68,744	306,599	306,599
54,160	72,213	54,160	72,213	241,554	322,070
0	56,091	0	56,091	0	250,165
251,095	374,419	251,095	374,419	1,119,884	1,669,920
874,799	957,391	860,030	950,477	3,889,089	4,283,390

SUPERVISORY BOARD REMUNERATION FOR THE YEARS 2015 AND 2014:

Supervisory Board	Fixed Compensation		Attendance Fees		Total Compensation	
	2015	2014	2015	2014	2015	2014
Dr. Gerald Möller	93,521	97,400	36,200	38,000	129,721	135,400
Dr. Walter Blättler	16,188	46,160	13,000	25,200	29,188	71,360
Dr. Daniel Camus	16,188	46,160	8,400	23,200	24,588	69,360
Dr. Marc Cluzel	50,089	46,160	28,000	32,400	78,089	78,560
Karin Eastham	50,089	46,160	36,800	32,400	86,889	78,560
Dr. Geoffrey Vernon	20,073	57,240	8,400	24,000	28,473	81,240
Dr. Frank Morich	37,324	0	14,200	0	51,524	0
Wendy Johnson	30,099	0	26,400	0	56,499	0
Klaus Kühn	30,099	0	14,200	0	44,299	0
Total	343,670	339,280	185,600	175,200	529,270	514,480

[†] Dr. Walter Blättler, Dr. Daniel Camus and Dr. Geoffrey Vernon left the Supervisory Board of MorphoSys AG on 08. May 2015.

^{**} Dr. Frank Morich, Wendy Johnson and Klaus Kühn joined the Supervisory Board of MorphoSys AG on 08. May 2015.

^{***} The attendance fee contains expense allowances for the attendance on Supervisory Board and committee meeting.

There are presently no other agreements with current or former members of the Supervisory Board.

In addition, the members of the Management Board and the Supervisory Board hold the following shares and convertible bonds of MorphoSys AG.

Shares	01/01/2015	Additions	Sales	12/31/2015
Management Board				
Dr. Simon Moroney	452,885	42,353	0	495,238
Jens Holstein	2,000	16,132	14,132	4,000
Dr. Arndt Schottelius	2,000	16,132	16,132	2,000
Dr. Marlies Sproll	28,620	49,132	27,000	50,752
Total	485,505	123,749	57,264	551,990
Supervisory Board				
Dr. Gerald Möller	9,000	2,000	0	11,000
Dr. Walter Blättler *	2,019	0	0	-
Dr. Daniel Camus *	0	0	0	-
Dr. Marc Cluzel	500	0	0	500
Karin Eastham	1,000	1,000	0	2,000
Dr. Geoffrey Vernon *	0	0	0	-
Dr. Frank Morich **	-	1,000	0	1,000
Wendy Johnson **,***	-	0	0	500
Klaus Kühn **	-	0	0	0
Total	12,519	4,000	0	15,000

* Dr. Walter Blättler, Dr. Daniel Camus and Dr. Geoffrey Vernon left the Supervisory Board of MorphoSys AG on 08. May 2015.

** Dr. Frank Morich, Wendy Johnson and Klaus Kühn joined the Supervisory Board of MorphoSys AG on 08. May 2015.

*** 500 shares have been acquired by Wendy Johnson before joining the Supervisory Board of MorphoSys AG.

Convertible Bonds	01/01/2015	Additions	Forfeitures	Exercises	12/31/2015
Management Board					
Dr. Simon Moroney	107,186	0	0	18,800	88,386
Jens Holstein	90,537	0	0	0	90,537
Dr. Arndt Schottelius	60,537	0	0	0	60,537
Dr. Marlies Sproll	93,537	0	0	33,000	60,537
Total	351,797	0	0	51,800	299,997

Performance Shares	01/01/2015	Additions	Forfeitures	Allocations	12/31/2015
Management Board					
Dr. Simon Moroney	54,655	13,062	0	23,553	44,164
Jens Holstein	37,434	8,946	0	16,132	30,248
Dr. Arndt Schottelius	37,434	8,946	0	16,132	30,248
Dr. Marlies Sproll	37,434	8,946	0	16,132	30,248
Total	166,957	39,900	0	71,949	134,908

The Supervisory Board of MorphoSys AG does not hold any convertible bonds or performance shares.

RELATED PARTIES

As of December 31, 2015, the Senior Management Group held 150,002 convertible bonds (December 31, 2014: 169,050 bonds) and 85,542 performance shares (December 31, 2014: 91,807 shares), which were granted by the Company. In 2015, an additional long-term incentive plan was granted to the Management Board and Senior Management Group. The Senior Management Group was granted 18,477 performance shares under this plan. On June 1, 2015, the Senior Management Group was allocated 29,360 shares from the 2011 LTI plan, which reduced the number of performance shares. A total of 19,048 convertible bonds were exercised in 2015 (2014: 130,952). There were no stock appreciation rights exercised in 2015 (2014: 15,000). In 2015, a total of 1,380 performance shares were forfeited due to the departure of a beneficiary from MorphoSys.

COMPENSATION OF THE AUDITOR

At the Company's Annual General Meeting in May 2015, the Supervisory Board was given authorization to appoint PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft (PwC AG), Munich, as the auditor.

In the financial year 2015, PwC AG received compensation from MorphoSys in the amount of € 264,001, including audit fees in the amount of € 188,495, fees for other audit-related and valuation services of € 36,506 (audit review of the half-year financial statements) as well as fees for other services in the amount of € 39,000. PwC AG did not provide tax advisory services in 2015.

HUMAN RESOURCES

As of December 31, 2015, MorphoSys AG engaged a total of 352 employees (December 31, 2014: 325) in addition to the four Management Board members and nine trainees.

Of these 352 employees, 297 were employed in research and development and 55 in sales, general and administration (December 31, 2014: 272 in R&D and 53 in sales, general and administration). The average number of employees in the financial year 2015 was 345 (2014: 311). Of the 345 average number of employees in 2015, a total of 293 were employed in research and development and 52 in sales, general and administration.

The 352 employees as of December 31, 2015 consisted of 20 senior executives (December 31, 2014: 19) and 332 non-executive employees (December 31, 2014: 306).

DIVIDEND

In accordance with the resolution of the Annual General Meeting, the accumulated income as of December 31, 2014 was carried forward. The net profit for the financial year 2015 was partially allocated to other earnings reserves by the Management Board and the Supervisory Board in accordance with Sec. 21 Para. 3 of the Articles of Association. The remaining net profit for the financial year 2015 was assigned to accumulated income. The Management Board recommended that the Supervisory Board proposes to the Annual General Meeting on June 02, 2016 to carry forward the accumulated income as of December 31, 2015. In line with the standard practice in the biotechnology industry, MorphoSys does not expect to pay a dividend in the foreseeable future. The majority of the profit generated by the Company is expected to be reinvested in the operating business, particularly in the

area of proprietary drug development, in order to create additional shareholder value and to take advantage of growth opportunities.

MANDATORY DISCLOSURE IN ACCORDANCE WITH THE GERMAN SECURITIES TRADING ACT (WPHG)

The company received the following information regarding voting rights notifications pursuant to Sec. 21 WpHG (status as of December 31, 2015):

CREDIT SUISSE, PUBLICATION PURSUANT TO SECTION 21 (1) WPHG ON 12 JANUARY 2015: CORRECTION OF ANNOUNCEMENT FROM 4 JUNE 2014

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany

2. Details of the company subject to the notification obligation (notifier):
Credit Suisse Fund Management S.A., Luxembourg, Luxembourg

3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached

3.2 Triggering event:
Exceeding threshold

4. Threshold(s) crossed or reached:
3 %

5. Date on which the threshold is crossed or reached:
30 May 2014

6. Voting rights:
ISIN of shares: DE0006632003
Total amount of voting rights of last notification in %: < 3 %
Amount of voting rights on day of triggering threshold:
Amount of voting rights direct: 548,486
Amount of voting rights indirect: 244,492
Amount of voting rights in % direct: 2.09 %
Amount of voting rights in % indirect: 0.93 %
Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 WpHG
Total amount of voting rights: 792,978
Total amount of voting rights in %: 3.01 %

FLOSSBACH VON STORCH, PUBLICATION PURSUANT TO SECTION 21 (1) WPHG ON 5 FEBRUARY 2015

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany

2. Details of the company subject to the notification obligation (notifier):
Flossbach von Storch Invest S.A., Luxembourg, Luxembourg

3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached

3.2 Triggering event:
Exceeding threshold

4. Threshold(s) crossed or reached:
3 %

5. Date on which the threshold is crossed or reached:
30 January 2015

6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights direct: 127,741

Amount of voting rights indirect: 670,176
 Amount of voting rights in % direct: 0.48 %
 Amount of voting rights in % indirect: 2.53 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 WpHG
 Total amount of voting rights: 797,917
 Total amount of voting rights in %: 3.01 %

1. Details of listed company:
 MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
 2. Details of the company subject to the notification obligation (notifier):
 Flossbach von Storch AG, Cologne, Germany
 3.1 Reason for notification:
 Acquisition/Disposal of shares to which voting rights are attached
 3.2 Triggering event:
 Exceeding threshold
 4. Threshold(s) crossed or reached:
 3 %
 5. Date on which the threshold is crossed or reached:
 30 January 2015
 6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 670,176
 Amount of voting rights in % indirect: 2.53 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 WpHG in connection with sent. 2
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 127,741
 Amount of voting rights in % indirect: 0.48 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG
 Total amount of voting rights: 797,917
 Total amount of voting rights in %: 3.01 %

FLOSSBACH VON STORCH, PUBLICATION PURSUANT TO SECTION 21 (1) WPHG ON 18 FEBRUARY 2015

1. Details of listed company:
 MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
 2. Details of the company subject to the notification obligation (notifier):
 Flossbach von Storch SICAV, Luxembourg, Luxembourg
 3.1 Reason for notification:
 Acquisition/Disposal of shares to which voting rights are attached
 3.2 Triggering event:
 Exceeding threshold
 4. Threshold(s) crossed or reached:
 3 %
 5. Date on which the threshold is crossed or reached:
 11 February 2015
 6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights direct: 794,018
 Amount of voting rights in % direct: 3.001 %
 Total amount of voting rights: 794,018
 Total amount of voting rights in %: 3.001 %

AVIVA, PUBLICATION PURSUANT TO SECTION 21 (1) WPHG ON 3 MARCH 2015

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany

2. Details of the company subject to the notification obligation (notifier):
Aviva Investors Global Services Limited, London, UK

3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached

3.2 Triggering event:
Exceeding threshold

4. Threshold(s) crossed or reached:
3 %

5. Date on which the threshold is crossed or reached:
23 February 2015

6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights indirect: 797,617
Amount of voting rights in % indirect: 3.01 %
Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 WpHG
Total amount of voting rights: 797,617
Total amount of voting rights in %: 3.01 %

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany

2. Details of the company subject to the notification obligation (notifier):
Aviva Investors Holdings Limited, London, UK

3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached

3.2 Triggering event:
Exceeding threshold

4. Threshold(s) crossed or reached:
3 %

5. Date on which the threshold is crossed or reached:
23 February 2015

6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights indirect: 797,617
Amount of voting rights in % indirect: 3.01 %
Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
Total amount of voting rights: 797,617
Total amount of voting rights in %: 3.01 %

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany

2. Details of the company subject to the notification obligation (notifier):
Aviva Group Holdings Limited, London, UK

3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached

3.2 Triggering event:
Exceeding threshold

4. Threshold(s) crossed or reached:
3 %

5. Date on which the threshold is crossed or reached:
23 February 2015

6. Voting rights:
ISIN of shares: DE0006632003

Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 797,617
 Amount of voting rights in % indirect: 3.01 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
 Total amount of voting rights: 797,617
 Total amount of voting rights in %: 3.01 %

1. Details of listed company:
 MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
 2. Details of the company subject to the notification obligation (notifier):
 Aviva plc, London, UK
 3.1 Reason for notification:
 Acquisition/Disposal of shares to which voting rights are attached
 3.2 Triggering event:
 Exceeding threshold
 4. Threshold(s) crossed or reached:
 3 %
 5. Date on which the threshold is crossed or reached:
 23 February 2015
 6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 797,617
 Amount of voting rights in % indirect: 3.01 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
 Total amount of voting rights: 797,617
 Total amount of voting rights in %: 3.01 %

NOVARTIS, PUBLICATION PURSUANT TO SECTION 21 (1) WPHG ON 2 APRIL 2015

1. Details of listed company:
 MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
 2. Details of the company subject to the notification obligation (notifier):
 Novartis AG, Basel, Switzerland
 3.1 Reason for notification:
 Acquisition/Disposal of shares to which voting rights are attached
 3.2 Triggering event:
 Exceeding threshold
 4. Threshold(s) crossed or reached:
 3 %, 5 %
 5. Date on which the threshold is crossed or reached:
 17 June 2004
 6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 490,133
 Amount of voting rights in % indirect: 9.09 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG
 Total amount of voting rights: 490,133
 Total amount of voting rights in %: 9.09 %
 7. Name of controlled undertaking holding 3 % or more:
 Novartis Pharma AG

1. Details of listed company:
 MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
 2. Details of the company subject to the notification obligation (notifier):
 Novartis Pharma AG, Basel, Switzerland

3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached

3.2 Triggering event:
Falling below threshold

4. Threshold(s) crossed or reached:
5 %

5. Date on which the threshold is crossed or reached:
30 March 2015

6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights direct: 1,080,949
Amount of voting rights in % direct: 4.09 %
Total amount of voting rights: 1,080,949
Total amount of voting rights in %: 4.09 %

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany

2. Details of the company subject to the notification obligation (notifier):
Novartis AG, Basel, Switzerland

3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached

3.2 Triggering event:
Falling below threshold

4. Threshold(s) crossed or reached:
5 %

5. Date on which the threshold is crossed or reached:
30 March 2015

6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights indirect: 1,080,949
Amount of voting rights in % indirect: 4.09 %
Attribution pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG
Total amount of voting rights: 1,080,949
Total amount of voting rights in %: 4.09 %

7. Name of controlled undertaking holding 3 % or more:
Novartis Pharma AG

In addition, we received the following correction of a notification of voting rights dated 17 June 2014 pursuant to section 21 para. 1 WpHG on 31 March 2015:

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany

2. Details of the company subject to the notification obligation (notifier):
Novartis Pharma AG, Basel, Switzerland

3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached

3.2 Triggering event:
Exceeding threshold

4. Threshold(s) crossed or reached:
3 %, 5 %

5. Date on which the threshold is crossed or reached:
17 June 2004

6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights direct: 490,133
Amount of voting rights in % direct: 9.09 %

Total amount of voting rights: 490,133
 Total amount of voting rights in %: 9.09 %

**FLOSSBACH VON STORCH, PUBLICATION PURSUANT TO SECTION 21 (1) WPHG ON
 2 APRIL 2015**

1. Details of listed company:
 MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
 2. Details of the company subject to the notification obligation (notifier):
 Flossbach von Storch Invest S.A., Luxembourg, Luxembourg
 3.1 Reason for notification:
 Acquisition/Disposal of shares to which voting rights are attached
 3.2 Triggering event:
 Exceeding threshold
 4. Threshold(s) crossed or reached:
 5 %
 5. Date on which the threshold is crossed or reached:
 26 March 2015
 6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights direct: 224,000
 Amount of voting rights indirect: 1,305,118
 Amount of voting rights in % direct: 0.85 %
 Amount of voting rights in % indirect: 4.93 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 WpHG
 Total amount of voting rights: 1,529,118
 Total amount of voting rights in %: 5.78 %
 8. Name of shareholder(s) holding directly 3% voting rights or more which are attributed to the notifier:
 Flossbach von Storch SICAV

1. Details of listed company:
 MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
 2. Details of the company subject to the notification obligation (notifier):
 Flossbach von Storch AG, Cologne, Germany
 3.1 Reason for notification:
 Acquisition/Disposal of shares to which voting rights are attached
 3.2 Triggering event:
 Exceeding threshold
 4. Threshold(s) crossed or reached:
 5 %
 5. Date on which the threshold is crossed or reached:
 26 March 2015
 6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 1,305,118
 Amount of voting rights in % indirect: 4.93 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 224,000
 Amount of voting rights in % indirect: 0.85 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG
 Total amount of voting rights: 1,529,118
 Total amount of voting rights in %: 5.78 %
 8. Name of shareholder(s) holding directly 3% voting rights or more which are attributed to the notifier:
 Flossbach von Storch SICAV

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany

2. Details of the company subject to the notification obligation (notifier):
Flossbach von Storch SICAV, Luxembourg, Luxembourg

3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached

3.2 Triggering event:
Exceeding threshold

4. Threshold(s) crossed or reached:
5 %

5. Date on which the threshold is crossed or reached:
27 March 2015

6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights direct: 1,501,521
Amount of voting rights in % direct: 5.67 %
Total amount of voting rights: 1,501,521
Total amount of voting rights in %: 5.67 %

TEMPLETON, PUBLICATION PURSUANT TO SECTION 21 (1) WPHG ON 21 APRIL 2015

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany

2. Details of the company subject to the notification obligation (notifier):
Templeton Global Advisors Limited, Nassau, Bahamas

3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached

3.2 Triggering event:
Exceeding threshold

4. Threshold(s) crossed or reached:
3 %

5. Date on which the threshold is crossed or reached:
15 April 2015

6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights indirect: 808,190
Amount of voting rights in % indirect: 3.05 %
Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 WpHG
Total amount of voting rights: 808,190
Total amount of voting rights in %: 3.05 %

TEMPLETON, PUBLICATION PURSUANT TO SECTION 21 (1) WPHG ON 6 MAY 2015

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany

2. Details of the company subject to the notification obligation (notifier):
Templeton Investment Counsel, LLC, Wilmington (DE), USA

3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached

3.2 Triggering event:
Exceeding threshold

4. Threshold(s) crossed or reached:
3 %

5. Date on which the threshold is crossed or reached:
29 April 2015

6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights indirect: 821,235
Amount of voting rights in % indirect: 3.10 %
Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 WpHG
Total amount of voting rights: 821,235
Total amount of voting rights in %: 3.10 %

INVESCO, PUBLICATION PURSUANT TO SECTION 21 (1) WPHG ON 22 MAY 2015

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany

2. Details of the company subject to the notification obligation (notifier):
Invesco Holding Company Limited, Henley-on-Thames, UK

3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached

3.2 Triggering event:
Exceeding threshold

4. Threshold(s) crossed or reached:
3 %

5. Date on which the threshold is crossed or reached:
19 March 2013

6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights indirect: 700,937
Amount of voting rights in % indirect: 3.0008 %
Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
Total amount of voting rights: 700,937
Total amount of voting rights in %: 3.0008 %

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany

2. Details of the company subject to the notification obligation (notifier):
Invesco Management Group Inc., Wilmington, DE, USA

3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached

3.2 Triggering event:
Exceeding threshold

4. Threshold(s) crossed or reached:
3 %

5. Date on which the threshold is crossed or reached:
19 March 2013

6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights indirect: 700,937
Amount of voting rights in % indirect: 3.0008 %
Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
Total amount of voting rights: 700,937
Total amount of voting rights in %: 3.0008 %

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
2. Details of the company subject to the notification obligation (notifier):
Invesco North American Holdings Inc., Wilmington, DE, USA
3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached
3.2 Triggering event:
Exceeding threshold
4. Threshold(s) crossed or reached:
3 %
5. Date on which the threshold is crossed or reached:
19 March 2013
6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights indirect: 700,937
Amount of voting rights in % indirect: 3.0008 %
Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
Total amount of voting rights: 700,937
Total amount of voting rights in %: 3.0008 %

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
2. Details of the company subject to the notification obligation (notifier):
Invesco Group Services, Inc, Wilmington, DE, USA
3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached
3.2 Triggering event:
Exceeding threshold
4. Threshold(s) crossed or reached:
3 %
5. Date on which the threshold is crossed or reached:
19 March 2013
6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights indirect: 700,937
Amount of voting rights in % indirect: 3.0008 %
Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
Total amount of voting rights: 700,937
Total amount of voting rights in %: 3.0008 %

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
2. Details of the company subject to the notification obligation (notifier):
IVZ, Inc., Wilmington, DE, USA
3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached
3.2 Triggering event:
Exceeding threshold
4. Threshold(s) crossed or reached:
3 %
5. Date on which the threshold is crossed or reached:
19 March 2013
6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights indirect: 700,937

Amount of voting rights in % indirect: 3.0008 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
 Total amount of voting rights: 700,937
 Total amount of voting rights in %: 3.0008 %

1. Details of listed company:
 MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
 2. Details of the company subject to the notification obligation (notifier):
 IVZ UK Limited, Henley-on-Thames, UK
 3.1 Reason for notification:
 Acquisition/Disposal of shares to which voting rights are attached
 3.2 Triggering event:
 Exceeding threshold
 4. Threshold(s) crossed or reached:
 3 %
 5. Date on which the threshold is crossed or reached:
 19 March 2013
 6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 700,937
 Amount of voting rights in % indirect: 3.0008 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
 Total amount of voting rights: 700,937
 Total amount of voting rights in %: 3.0008 %

AVIVA, PUBLICATION PURSUANT TO SECTION 21 (1) WPHG ON 8 JULY 2015

1. Details of listed company:
 MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
 2. Details of the company subject to the notification obligation (notifier):
 Aviva Investors Holdings Limited, London, United Kingdom
 3.1 Reason for notification:
 Acquisition/Disposal of shares to which voting rights are attached
 3.2 Triggering event:
 Falling below threshold
 4. Threshold(s) crossed or reached:
 3 %
 5. Date on which the threshold is crossed or reached:
 1 July 2015
 6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 734,610
 Amount of voting rights in % indirect: 2.78 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
 Total amount of voting rights: 734,610
 Total amount of voting rights in %: 2.78 %

1. Details of listed company:
 MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
 2. Details of the company subject to the notification obligation (notifier):
 Aviva Group Holdings Limited, London, United Kingdom
 3.1 Reason for notification:
 Acquisition/Disposal of shares to which voting rights are attached
 3.2 Triggering event:
 Falling below threshold

4. Threshold(s) crossed or reached:

3 %

5. Date on which the threshold is crossed or reached:

1 July 2015

6. Voting rights:

ISIN of shares: DE0006632003

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 734,775

Amount of voting rights in % indirect: 2.78 %

Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG

Total amount of voting rights: 734,775

Total amount of voting rights in %: 2.78 %

1. Details of listed company:

MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany

2. Details of the company subject to the notification obligation (notifier):

Aviva plc, London, United Kingdom

3.1 Reason for notification:

Acquisition/Disposal of shares to which voting rights are attached

3.2 Triggering event:

Falling below threshold

4. Threshold(s) crossed or reached:

3 %

5. Date on which the threshold is crossed or reached:

1 July 2015

6. Voting rights:

ISIN of shares: DE0006632003

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 734,775

Amount of voting rights in % indirect: 2.78 %

Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG

Total amount of voting rights: 734,775

Total amount of voting rights in %: 2.78 %

1. Details of listed company:

MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany

2. Details of the company subject to the notification obligation (notifier):

Aviva Investors Global Services Limited, London, United Kingdom

3.1 Reason for notification:

Acquisition/Disposal of shares to which voting rights are attached

3.2 Triggering event:

Falling below threshold

4. Threshold(s) crossed or reached:

3 %

5. Date on which the threshold is crossed or reached:

1 July 2015

6. Voting rights:

ISIN of shares: DE0006632003

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 734,610

Amount of voting rights in % indirect: 2.78 %

Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 WpHG

Total amount of voting rights: 734,610

Total amount of voting rights in %: 2.78 %

MASSACHUSETTS MUTUAL LIFE, PUBLICATION PURSUANT TO SECTION 21 (1) WPHG ON 24 JULY 2015

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany

2. Details of the company subject to the notification obligation (notifier):
Massachusetts Mutual Life Insurance Company, Springfield, MA, USA

3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached

3.2 Triggering event:
Falling below threshold

4. Threshold(s) crossed or reached:
3 %

5. Date on which the threshold is crossed or reached:
21 July 2015

6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights direct: 0
Amount of voting rights in % direct: 0.00 %
Amount of voting rights indirect: 0
Amount of voting rights in % indirect: 0.00 %
Total amount of voting rights: 0
Total amount of voting rights in %: 0.00 %

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany

2. Details of the company subject to the notification obligation (notifier):
MassMutual Holding LLC, Springfield, MA, USA

3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached

3.2 Triggering event:
Falling below threshold

4. Threshold(s) crossed or reached:
3 %

5. Date on which the threshold is crossed or reached:
21 July 2015

6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights direct: 0
Amount of voting rights in % direct: 0.00 %
Amount of voting rights indirect: 0
Amount of voting rights in % indirect: 0.00 %
Total amount of voting rights: 0
Total amount of voting rights in %: 0.00 %

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany

2. Details of the company subject to the notification obligation (notifier):
MM Asset Management Holding LLC, Springfield, MA, USA

3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached

3.2 Triggering event:
Falling below threshold

4. Threshold(s) crossed or reached:
3 %

5. Date on which the threshold is crossed or reached:
21 July 2015
6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights direct: 0
Amount of voting rights in % direct: 0.00 %
Amount of voting rights indirect: 0
Amount of voting rights in % indirect: 0.00 %
Total amount of voting rights: 0
Total amount of voting rights in %: 0.00 %

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
2. Details of the company subject to the notification obligation (notifier):
Oppenheimer Acquisition Corp., New York, NY, USA
3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached
3.2 Triggering event:
Falling below threshold
4. Threshold(s) crossed or reached:
3 %
5. Date on which the threshold is crossed or reached:
21 July 2015
6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights direct: 0
Amount of voting rights in % direct: 0.00 %
Amount of voting rights indirect: 0
Amount of voting rights in % indirect: 0.00 %
Total amount of voting rights: 0
Total amount of voting rights in %: 0.00 %

BAILLIE GIFFORD, PUBLICATION PURSUANT TO SECTION 21 (1) ON 11 DECEMBER 2015

1. Details of listed company:
MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
2. Details of the company subject to the notification obligation (notifier):
Baillie Gifford & Co, Edinburgh, Scotland, UK
3.1 Reason for notification:
Acquisition/Disposal of shares to which voting rights are attached
3.2 Triggering event:
Exceeding threshold
4. Threshold(s) crossed or reached:
5 %
5. Date on which the threshold is crossed or reached:
7 December 2015
6. Voting rights:
ISIN of shares: DE0006632003
Amount of voting rights on day of triggering threshold:
Amount of voting rights indirect (Section 22 WphG): 1,325,592
Amount of voting rights in % indirect (Section 22 WphG): 5.01 %
Total amount of voting rights: 26,484,882
Total amount of voting rights in %: 5.01 %
Chain of controlled undertakings, voting rights in %: Baillie Gifford Overseas Limited: 4.50%

Responsibility Statement

We confirm to the best of our knowledge and in accordance with the applicable reporting principles that the annual financial statements give a true and fair view of the Company's assets, liabilities, financial position and results of operations and that the management report includes a fair review of the development of the business, including the Company's results and its position, together with a description of the principal opportunities and risks related to the Company's expected development.

Martinsried, March 7, 2016

Dr. Simon Moroney
Chief Executive Officer

Jens Holstein
Chief Financial Officer

Dr. Arndt Schottelius
Chief Development Officer

Dr. Marlies Sproll
Chief Scientific Officer

Statement of Fixed Assets

		Aquisition and Production Cost				
		01/01/2015	Additions	Reclassifi-	Disposals	12/31/2015
		EUR	EUR	cation *	EUR	EUR
				EUR		
A.	Fixed Assets					
I.	Intangible Assets					
	Paid concessions, commercial property rights and similar rights and assets and licenses to such rights and assets					
1.		77,239,045	7,057,898	0	0	84,296,943
		77,239,045	7,057,898	0	0	84,296,943
II.	Tangible Assets					
	Land, leasehold rights and buildings, including leasehold improvements					
1.		1,258,697	0	0	0	1,258,697
2.	Other equipment, furniture and fixtures	14,314,335	1,325,380	0	421,623	15,218,092
		15,573,032	1,325,380	0	421,623	16,476,789
III.	Financial Assets					
1.	Shares in affiliated companies	10,037,108	24,348,815	1,726,633	3,988,278	32,124,278
2.	Shares in participations	1,726,633	0	(1,726,633)	0	0
		11,763,741	24,348,815	0	3,988,278	32,124,278
		104,575,818	32,732,093	0	4,409,901	132,898,010

* Effect in conjunction with the acquisition of the outstanding shares of Lanthio Pharma B.V. (see section „Financial Assets“).

Accumulated Depreciation					Net Book Values	
01/01/2015 EUR	Additions EUR	Write-offs EUR	Disposals EUR	12/31/2015 EUR	12/31/2015 EUR	12/31/2014 EUR
45,599,457	768,105	0	0	46,367,562	37,929,381	31,639,588
45,599,457	768,105	0	0	46,367,562	37,929,381	31,639,588
1,185,015	27,332	0	0	1,212,347	46,350	73,682
10,879,206	1,456,402	25,000	390,862	11,969,746	3,248,346	3,435,129
12,064,221	1,483,734	25,000	390,862	13,182,093	3,294,696	3,508,811
946,372	0	41,906	988,278	0	32,124,278	9,090,736
0	0	0	0	0	0	1,726,633
946,372	0	41,906	988,278	0	32,124,278	10,817,369
58,610,050	2,251,839	66,906	1,379,140	59,549,655	73,348,355	45,965,768

Auditor's Report

We have audited the annual financial statements comprising the balance sheet, the statement of income and the notes, including the bookkeeping system and the management report of MorphoSys AG, Martinsried, for the financial year January 1 to December 31, 2015. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and the supplementary provisions of the Articles of Association are the responsibility of the Company's Management Board. Our task is to express an opinion on the annual financial statements, the bookkeeping system and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB and in consideration of German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that the audit is planned and conducted in such a manner as to detect with adequate certainty any inaccuracies or infringements that may have a significant impact on the presentation of the net assets, financial position and results of operations, as conveyed by the annual financial statements and the management report, and in consideration of the German principles of proper accounting. Knowledge of the Company's business activities, economic and legal environment and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system, the evidence supporting the disclosures in the books and records, and the annual financial statements and the management report are assessed primarily on the basis of random samples in the course of the audit. The audit includes an assessment of the accounting principles applied and the significant estimates made by the Company's Management Board and evaluates the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

Based on the findings of our audit, it is our opinion that the annual financial statements comply with the legal requirements and supplementary provisions of the Articles of Association and give a true and fair view of the Company's net assets, financial position and results of operations in compliance with the German principles of proper accounting. The management report is consistent with the annual financial statements and, overall, presents an accurate view of the position of the Company and the opportunities and risks of future development.

Munich, March 8, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer
Auditor

ppa. Bodo Kleinschrod
Auditor

Imprint

Contact Information

CORPORATE COMMUNICATIONS AND INVESTOR RELATIONS

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These separate financial statements are also available in German and are available on our website.

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