

Report of the Supervisory Board

COOPERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

During the 2015 financial year, the Supervisory Board comprehensively performed the duties assigned to it by law, the Articles of Association, its own Rules of Procedure and – with a few exceptions – the recommendations of the German Corporate Governance Code (the “Code”). We regularly advised and continually oversaw the Management Board in its management of the Company and dealt extensively with the operational and strategic development of the Group. The Management Board fulfilled its duty to inform and furnish us with periodic written and verbal reports containing timely and detailed information on all business transactions and events of significant relevance to the Company. The Management Board prepared these reports in collaboration with the respective departments. In our committee meetings and plenary sessions, we had the opportunity to fully discuss the Management Board’s reports and the proposed resolutions. The Management Board answered our questions on strategic topics affecting the Company with a great level of detail and submitted the relevant documents in a timely manner. Any deviations from the business plan were thoroughly explained to us, and we were directly involved at an early stage in all decisions relevant to the Company.

A corresponding resolution was passed if the Supervisory Board’s approval for individual actions was required by law, the Articles of Association or by the Rules of Procedure. The Supervisory Board members regularly prepared resolutions for Management Board actions requiring Supervisory Board approval based on the documentation provided in advance by the Management Board. If necessary, the Supervisory Board received the support of the relevant committees and, together with the Management Board, discussed any projects pending decision. All matters requiring approval were submitted for review to the Supervisory Board on a timely basis.

Outside of the meetings of the Supervisory Board plenum and the committees, the chairperson of the Supervisory Board regularly exchanged information and ideas with the Management Board and especially the Chief Executive Officer, Dr. Simon Moroney. The Supervisory Board chairperson was also kept informed of the current business situation and any significant business transactions. Discussions also took place between the chairperson of the Supervisory Board and members of the Senior Management Group in

consultation with the Management Board. The other Supervisory Board members also had regular contact with the individual Management Board members.

KEY ITEMS OF DISCUSSION AT THE SUPERVISORY BOARD MEETINGS IN THE 2015 FINANCIAL YEAR

A total of eight Supervisory Board meetings were held in the 2015 financial year, two of which were conducted by telephone. All Supervisory Board members were present at all meetings. In urgent cases occurring outside of the meetings, the Supervisory Board passed resolutions by written procedure.

In addition to the above, a one-day strategy meeting took place in July 2015 between the Management Board and the Supervisory Board that primarily addressed the following topics:

- the Company’s strategic focus; and
- the further development of the Company’s product portfolio and the related impact on the net assets and results of operations.

During the 2015 financial year, the Supervisory Board paid particular attention to the following topics and passed resolutions on these topics after thorough examination and discussion:

- the Company’s achievement of the 2014 financial year targets, the corporate objectives for the 2015 financial year and setting the corporate objectives for the 2016 financial year;
- the agenda and proposed resolutions for the 2015 Annual General Meeting; specifically the nominations to the 2015 Annual General Meeting of Wendy Johnson, Klaus Kühn and Dr. Frank Morich as new candidates for the Supervisory Board;
- termination of the collaboration with Celgene Corporation to develop MOR202;
- purchase of all remaining shares in the biopharmaceutical company Lanthio Pharma B.V.;
- the conclusion of the cooperation with G7 Therapeutics AG for developing innovative antibody compounds;
- the formation of a strategic alliance in the field of immunoncology with Immatics Biotechnologies GmbH;
- the new resolution on the composition of the Supervisory Board and the level of female representation on the Management Board and Supervisory Board;
- review and revision of schedule of responsibilities for the Management Board; and
- the budget for the 2016 financial year.

We also passed a resolution in the Supervisory Board plenum on the remuneration of Management Board members for the period from July 1, 2015 to June 30, 2016 taking external benchmarking into consideration. We also evaluated the achievement of individual bonus targets for 2014 agreed with the members of the Management Board and dealt with the bonus targets with these members for both 2015 and 2016. We had the appropriateness of the Management Board's compensation and its comparison to the remuneration of various levels of employees confirmed by an independent remuneration consultant and discussed and adopted the key performance indicators for the long-term incentive plans for both the Management Board and the Senior Management Group.

Furthermore, we approved the financial statements for the 2014 financial year and the Management Board's proposal for the appropriation of profits. We also dealt with the Corporate Governance Report as well as the Statement on Corporate Governance.

The focus of our regular discussions in the Supervisory Board's plenary meetings were MorphoSys's revenue and earnings development, the financial reports, the progress of the two business segments Partnered Discovery and Proprietary Development, the results and progress of the clinical programs for the development of proprietary drugs, the future development strategy and the development of new technologies. In addition, we discussed the results of the efficiency review of the Supervisory Board's work carried out in 2015 by an external consultant and evaluated possibilities for improvement. Finally, we have kept ourselves regularly informed with respect to risk management, the internal control system and of the results of the internal audit.

CONFLICTS OF INTEREST IN THE SUPERVISORY BOARD

In the 2015 financial year, no conflicts of interest occurred within the Supervisory Board.

ACTIVITIES AND MEETINGS OF SUPERVISORY BOARD COMMITTEES

In order to perform its duties efficiently, the Supervisory Board has established three committees that prepare the issues falling within their respective areas of competence for the Supervisory Board plenum: the Audit Committee, the Remuneration and Nomination Committee and the Science and Technology Committee. In each Supervisory Board meeting, the committee chairs report to the Supervisory Board on the work of the committees and the minutes of the committee meetings are made available to all Supervisory Board members. The composition of these committees can be found in the "Statement on Corporate Governance," which is available on the Company's website under the heading "Media & Investors > Corporate Governance > Statement on Corporate Governance," and in the Annual Report on pages 61 to 66. All members attended all committee meetings, except for one meeting.

The **Audit Committee** met on seven occasions in the 2015 financial year (of those meeting, three were by telephone). The Committee dealt mainly with accounting issues, the quarterly reports and the financial statements and consolidated financial statements. The Committee discussed these topics with the Management Board and recommended the approval of these statements to the Supervisory Board. The auditor took part in three Audit Committee meetings and informed its members of the audit results. The Audit Committee also made a recommendation to the Supervisory Board for its proposal at the Annual General Meeting for the election of the independent auditor. The Committee deliberated on the risk management system and the results of the internal audit carried out in the 2015 financial year. The Committee regularly advised on the Company's cash investment policy and the investment recommendations of the Management Board. Additionally, the Committee was informed of improvements in IT security.

For efficiency reasons, there is a common **Remuneration and Nomination Committee**, which meets in its respective role. This Committee met on five occasions in the 2015 financial year (including twice by telephone) and, in its function as Remuneration Committee, mainly dealt with the Management Board's remuneration system and the level of the Management Board's compensation. In this context, the Committee also commissioned an independent remuneration expert with the task of preparing a Management Board remuneration report to verify the appropriateness of the Management Board's remuneration. Based on this report, the Committee prepared a recommendation as to the future structure of the Management Board's compensation and submitted this to the Supervisory Board for approval. The Committee also dealt with the ratio of compensation between the Management Board and the Senior Management Group and the staff overall and had this ratio reviewed by the commissioned remuneration expert. This expert confirmed the appropriateness of the "vertical" compensation ratios. The Committee also dealt with the individual bonus targets of the Management Board members and the Company's targets and offered recommendations to the Supervisory Board for approval. The Committee discussed the key performance indicators for the Management Board's and Senior Management Group's long-term incentive plans. In its function as Nomination Committee, the Committee dealt with the preparations for the required election of all Supervisory Board members in the context of the 2015 Annual General Meeting. In coordination with the Supervisory Board, the Committee prepared the required profiles for the Supervisory Board candidates up for election, conducted the corresponding interviews with the Supervisory Board candidates and submitted its recommendation to the Supervisory Board for its proposals to the Annual General Meeting for the election of Supervisory Board members. In this context, the Committee commissioned a personnel consulting firm for professional support in the Committee's search for suitable new Supervisory Board candidates.

The **Science and Technology Committee** met on eight occasions during the 2015 financial year (three of these meetings were by telephone). This Committee dealt mainly with the progress and expansion of the Company's portfolio, the development of new technologies and the Company's drug development plans including the required budget resources. The discussions focused on the start of new development programs, the results of ongoing clinical studies for the development of proprietary drug candidates, development plans for current and planned clinical studies as well as the development strategy. The Committee addressed the production of clinical trial materials for the Company's proprietary drug candidates, the competitive and patent situations of the Company's proprietary product candidates and discussed the Management Board's recommendations on strengthening the portfolio.

CORPORATE GOVERNANCE

The Supervisory Board dealt with the further development of MorphoSys's corporate governance keeping in mind the amendments made in the Code in May 2015 by the Government Commission German Corporate Governance Code. The detailed Corporate Government Report, including the Corporate Governance Statement according to Sec. 289a HGB (German Commercial Code), may be found on the Company's website under the heading "Media & Investors > Corporate Governance > Corporate Governance Report" and can also be found in the Annual Report on pages 61 – 82.

We also discussed with the Management Board the Company's compliance with the Code's recommendations and, in justified cases, approved a few exceptions to the Code's recommendations. Based on this consultation, the Management Board and the Supervisory Board submitted the annual Declaration of Conformity on December 3, 2015. The current version of the annual Declaration of Conformity can be found in this Annual Report and is permanently available to MorphoSys's shareholders on the Company's website under the heading "Media & Investors > Corporate Governance > Declaration of Conformity."

CHANGES IN THE COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

There were no changes in the composition of the Management Board in the reporting period.

The changes made to the Supervisory Board's composition during the reporting period are listed below. The terms of office of all Supervisory Board members ended with the conclusion of the 2015 Annual General Meeting. Supervisory Board members Dr. Geoffrey Vernon, Dr. Daniel Camus and Dr. Walter Blättler departed from the Supervisory Board at the conclusion of the 2015 Annual General Meeting. Newly appointed in their place were Dr. Frank Morich, Klaus Kühn and Wendy Johnson. The Supervisory Board members Dr. Gerald Möller, Dr. Marc Cluzel and

Karin Eastham were up for reappointment and were reappointed to the Supervisory Board at the Annual General Meeting. In its constituent meeting following the 2015 Annual General Meeting, Dr. Gerald Möller was reappointed as chairman of the Supervisory Board and Dr. Frank Morich was appointed as deputy chairman of the Supervisory Board.

AUDIT OF THE FINANCIAL STATEMENTS

For the 2015 financial year, the Company commissioned PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Munich ("PwC") as its auditor. The audit contract was awarded by the Supervisory Board in accordance with the resolution of the Annual General Meeting on May 8, 2015. In accordance with Item 7.2.1 of the Code, the Supervisory Board obtained a declaration of independence from the auditor in advance.

The financial statements and the consolidated financial statements of MorphoSys AG, as well as the Management Report and Group Management Report for the 2015 financial year were properly audited by PwC and issued with an unqualified Auditor's Report. The key topics of the audit for the consolidated and separate financial statements for the 2015 financial year were the presentation and valuation of cash investments, the valuation of the carrying amounts of goodwill and intangible assets with indefinite useful lives, the presentation and valuation of the stock option programs, the calculation of current and deferred taxes, the revenue recognition and the completeness and accuracy of the Notes.

In addition, the auditor confirmed that the Management Board has established an appropriate reporting and monitoring system that is suitable in terms of its design and administration for the early detection of developments that could threaten the Company's existence.

The audit reports and documents relating to the financial statements and consolidated financial statements were provided on a timely basis to all Supervisory Board members for review. The audit report, the consolidated financial statements and the Management Report of the MorphoSys Group were discussed in detail at the Audit Committee meeting on February 24, 2016 and the subsequent meeting of the Supervisory Board on the same day. The audit report, the financial statements and the Management Report of MorphoSys AG were discussed in detail at the Audit Committee meeting on March 16, 2016 and the subsequent meeting of the Supervisory Board on the same day. The auditor attended all meetings concerning the financial statements and reported on the key results of his audit. He also explained the scope and focus of the audit and was available to both the Audit Committee and the Supervisory Board to answer questions and provide further information.

The Audit Committee discussed the audit results in detail and recommended to the Supervisory Board that it approve the financial statements prepared by the Management Board. The Supervisory Board also took note of the audit results and, in turn, reviewed the financial statements and management reports in accordance with the statutory provisions. Following its own examination, the Supervisory Board also determined that it sees no cause for objection. The financial statements and consolidated financial statements prepared by the Management Board and reviewed by the auditor, as well as the Management Report and Group Management Report, were subsequently approved by the Supervisory Board. Thus, the financial statements were adopted. The Supervisory Board also reviewed the Management Board's proposal for the appropriation of profits and agreed to this proposal.

RECOGNITION FOR DEDICATED SERVICE

On behalf of the entire Supervisory Board, I would like to thank the members of the Management Board and the employees of MorphoSys for their achievements, their dedicated service and the inspirational work environment witnessed during this past financial year. Through their efforts, MorphoSys's portfolio has continued to mature and expand, and important milestones have been achieved.

The Supervisory Board would also like to thank our longstanding Supervisory Board members Dr. Geoffrey Vernon, Dr. Daniel Camus and Dr. Walter Blättler, whose term of office ended in 2015, for their dedication and constructive cooperation.



Martinsried/Planegg, March 16, 2016
Dr. Gerald Möller
Chairman of the Supervisory Board