Independent Auditor's Report

To MorphoSys AG, Planegg

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

AUDIT OPINIONS

We have audited the consolidated financial statements of MorphoSys AG, Planegg, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of December 31, 2017, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from January 1, to December 31, 2017, and notes to the consolidated financial statements including a summary of significant accounting policies. In addition, we have audited the group management report of MorphoSys AG for the financial year from January 1, to December 31, 2017. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2017, and of its financial performance for the financial year from January 1, to December 31, 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, to December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of goodwill and intangible assets with indefinite useful lives
2. Revenue recognition in connection with the out-licensing of the antibody "MOR202"

Our presentation of these key audit matters has been structured in each case as follows:

1) Matter and issue
2) Audit approach and findings
3) Reference to further information

Hereinafter we present the key audit matters:

1. Recoverability of goodwill and intangible assets with indefinite useful lives

1) In the Company's consolidated financial statements an amount of EUR 7.4 million is reported under the "Goodwill" balance sheet item. Furthermore, intangible assets with indefinite useful lives totaling EUR 52.2 million are reported under the "In-process R&D programs" balance sheet item. This balance sheet item includes capitalized upfront payments from the in-licensing of compounds as well as compounds from acquisitions. The assets are not yet available for use and therefore not subject to amortization. Goodwill and intangible assets with indefinite useful lives are tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is performed at the level of the cash-generating units. In an impairment test, the carrying amounts of the respective goodwill and the intangible assets with indefinite useful lives are compared with the corresponding recoverable amounts. This is the higher of the value in use and fair value less costs of disposal. The present value of the future cash inflows and outflows from the respective group of cash-generating units normally serves as the basis of valuation of goodwill. The present values of the future cash inflows and outflows of the cash-generating unit serve as the valuation basis for the in-process R&D programs. The present values are calculated using discounted cash flow models. For this purpose, the Company's cash flow forecast forms the starting point for future projections based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital. The impairment test determined that no impairment losses had to be recognized with respect to goodwill. Due to the write-downs with respect to the antibody "MOR209/ES414" and the decrease in expected future cash inflows, impairment losses amounting to EUR 9.8 million were recognized with respect to the intangible assets of the in-process R&D programs. The result of this measurement depends to a large extent on the executive directors' estimation of future cash inflows as well as the discount rate used, and is therefore subject to material uncertainty. Against this background and due to the underlying complexity of the measurement models used, this matter was of particular significance for our audit.

2) As part of our audit, we revaluated, among other things, the methodology used to perform impairment tests and assessed the calculation of the weighted cost of capital. We evaluated the appropriateness of the future cash inflows used in the measurement by, inter alia, comparing this data with the current budget in the Group's cash flow forecast prepared by the executive directors and acknowledged by the supervisory board, and by reconciling them against general and sector-specific market expectations. With the knowledge that even relatively small changes in the discount rate applied can have a material impact on the recoverable amounts calculated in this way, we also focused our testing in particular on the parameters used to determine the discount rate applied, and evaluated the measurement model. Furthermore, due to the materiality of goodwill and the capitalized R&D programs, we also performed our own sensitivity analyses for the cash-generating units (comparison of carrying and recoverable amounts) and determined that the respective carrying amounts were sufficiently covered by the discounted future cash flows. To assess the write-down on the in-process R&D program with respect to the antibody "MOR209/ES414", we examined the contractual documents and evaluated the resulting event that trigged the write-down. Furthermore, on the basis of the findings from the contractual documents, we assessed the calculation of the expenses and write-downs as well as their recognition in the correct period. Overall, the measurement parameters and assumptions used by the executive directors are in line with our expectations.

3) The Company's disclosures pertaining to goodwill and intangible assets with indefinite useful lives are contained in sections 2.5.1, 2.8.6, 5.7.3 and 5.7.5 of the notes to the consolidated financial statements.

2. Revenue recognition in connection with the out-licensing of antibody "MOR202"

1) In MorphoSys AG's consolidated financial statements revenue amounting to EUR 16.8 million is reported in the consolidated statement of income , which results from the out-licensing of the antibody "MOR202" within the financial year 2017 in the form of a technology transfer to further develop this antibody under an agreement dated November 30, 2017. Revenue is reported and recognized in accordance with IAS 18 and is subject to certain highly discretionary criteria. Accordingly, it is necessary that the payment is contractually fixed and is not contingent on future events with regard to the amount and that no reimbursement of the payments made is provided for. The contractual agreement regarding the out-licensing must be non-terminable. Furthermore, the licensee must be able to exercise the rights associated with the license freely and at its own discretion. The licensor may not retain any material outstanding obligations for the licensee after the transfer of the license. In light of the extensive and complex contractual agreement, recognizing revenue in connection with the out-licensing of the antibody "MOR202" is subject to a significant risk and to a certain extent is based on estimates made by the executive directors. Against this background, this matter was of particular significance for our audit.

2) Our audit included the evaluation of the appropriateness and effectiveness of the established internal control system of the Group with regard to the complete and correct recognition of revenue in connection with the out-licensing, including the IT systems used. Furthermore, we obtained an understanding of the underlying contractual agreement and assessed it with regard to the timing of revenue recognition in accordance with the requirements of IAS 18. In a further step, we evaluated the basis for recognizing revenue in connection with the technology transfer and the amounts thereof. We used and evaluated the corresponding contractual documents to assess the recognition of revenue. We also inspected and evaluated payment records. As part of our evaluation of the technology transfer we also examined the data transfer to the contractual partner. Overall, we were able to satisfy ourselves that the established systems and processes as well as controls in place are appropriate and that the estimates and assumptions made by the executive directors are sufficiently documented and substantiated to ensure that revenue in connection with this out-licensing is appropriately recognized.

3) The Company's disclosures on revenue are contained in sections 2.7.1 and 4.1 of the notes to the consolidated financial statements.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report, which we obtained prior of the date of our auditor's report:

- the group statement on corporate governance pursuant to § 315d HGB included in the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code (except for the remuneration report)

The annual report is expected to be made available to us after the date of the auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on May 17, 2017. We were engaged by the supervisory board on October 10, 2017. We have been the group auditor of the MorphoSys AG, Planegg, without interruption since the financial year 2011.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Dietmar Eglauer.