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, 2018, and the consolidated statement of profit or loss, 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, 2018, 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, 2018. 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, 2018, and of its financial performance for the financial year from January 1, to December 31, 2018, 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, 2018. 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. Impairment of goodwill and intangible assets with indefinite useful lives
2. Revenue recognition related to the outlicensing of drug programm MOR106
3. Accounting for the capital raise in the financial year 2018

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. **Impairment of goodwill and intangible assets with indefinite useful lives**
   1) In the consolidated financial statements of the Company, an amount of € 3.7 million is reported under the balance sheet item "Goodwill". In addition, intangible assets with an indefinite useful life totaling € 37.0 million are reported under the item "Research and development programs under development". This balance sheet item contains capitalized prepayments from the in-licensing of active substances and active substances from acquisitions. The assets are not yet available for use and are therefore not yet amortized. Goodwill and intangible assets with an indefinite useful life are tested for impairment by the Company once a year or on an ad hoc basis in order to determine the potential need for depreciation. The impairment test is carried out at the level of the cash-generating units. As part of the impairment test, the book values of the respective goodwill or intangible assets with an indefinite useful life are compared with the corresponding recoverable amount. This is the higher of the value in use and the fair value less costs of disposal. The basis for measuring goodwill is regularly the present value of future cash inflows and outflows of the respective group of cash-generating units. The bases of valuation of the research and development programs under development are the present values of future cash inflows and outflows of the cash-generating unit. The cash values are determined using discounted cash flow models. The adopted cash flow forecast of the Group is the starting point, which is updated with assumptions about long-term growth rates. This also takes into account expectations about future market developments and assumptions about the development of macroeconomic factors. Discounting is done using the weighted average cost of capital. As a result of the impairment test, an impairment charge of € 18.8 million was identified for the cash-generating unit Lanthio Group. The result of this valuation depends to a large extent on the assessment of future cash inflows by the legal representatives as well as the discount rate used and is therefore subject to considerable uncertainty. Against this background and due to the underlying complexity of the applied valuation models, this issue was of particular importance during our audit.

   2) During our audit, we reviewed, among other things, the methodology used to carry out the impairment tests and assessed the determination of the weighted capital costs. Among other things, the appropriateness of the future cash inflows used in the valuation is matched with the current budgets from the group's cash flow forecast drawn up by the legal representatives and acknowledged by the Supervisory Board, as well as through coordination with general auditors and industry-specific market expectations. With the knowledge that even relatively small changes in the discount rate used can have a material effect on the amount of the recoverable amount determined in this way, we dealt in detail with the parameters used to determine the discount rate used and followed the calculation method. In addition, due to the significant importance of goodwill and capitalized research and development programs, we conducted additional sensitivity analyzes for the cash-generating units (book value in comparison with the recoverable amount). In order to assess the unscheduled depreciation in the cash-generating unit Lanthio Group, we reviewed the planning documents and assessed the resulting triggering event for the extraordinary depreciation. Furthermore, on the basis of the findings from the planning documents, we have reconstructed the determination of the amount of unscheduled depreciation and its accrual accounting. Overall, the valuation parameters and assumptions used by the legal representatives are in line with our expectations.

   3) The information provided by the Company on goodwill and intangible assets with an indefinite useful life is contained in sections 5.7.3 and 5.7.5 of the notes to the consolidated financial statements.

2. **Revenue recognition related to the outlicensing of drug programm MOR106**
   1) The consolidated financial statements of the Company include € 47.5 million in revenue from the contractual agreement signed on July 19, 2018 for the development and commercialization of the MOR106 drug program with Novartis Pharma AG. The drug program MOR106 was developed by MorphoSys in collaboration with Galapagos N.V. Novartis Pharma AG now exclusively holds all rights to market the products resulting from the collaboration. All research, development, manufacturing and marketing costs are borne by Novartis Pharma AG in the future. The revenue generated by MorphoSys in 2018 is mainly related to the transfer of rights to the MOR106 drug program. In return for this transfer, MorphoSys received a licence payment from Novartis Pharma AG. Realization of the revenue from the license fee in 2018 was timely, as control of the drug program MOR106 was transferred to Novartis Pharma AG with the transfer of the license. Revenue recognition in connection with the out-licensing of the MOR106 drug program is associated with significant risk in view of the extensive and complex contractual agreement and is also partly based on the judgment of the legal representatives. Considering this background information, this issue was of particular importance for our audit.

   2) Among other things, we assessed the appropriateness and effectiveness of the Group's established internal control system with regard to the complete and correct recording and realization of the revenues in connection with outlicensing, taking into account the IT systems used. In addition, we have gained an understanding of the underlying contractual agreement and have assessed it with respect to the realization of the revenue in accordance with the provisions of IFRS 15. In order to assess revenue

recognition, we have used and awarded corresponding contract documents. We were able to satisfy ourselves that the systems and processes in place and the controls that were put in place were adequate and that the assessments and assumptions made by the legal representatives were sufficiently documented and justified to ensure the proper recording of revenues in connection with these exemptions.

3) The Company's revenue disclosures are included in sections 3.3 and 4.1 of the notes to the consolidated financial statements.

3. Accounting for the capital raise in the financial year 2018

1) In the consolidated financial statements of the Company, the targeted gross proceeds of € 194 million ($ 239 million) from the capital increase in the 2018 financial year are reported under the item “Equity”. This was achieved in connection with the IPO on the US stock exchange Nasdaq in April 2018. The transaction was made through two successive capital increases from the authorized capital, excluding existing shareholders' subscription rights, at a price of $ 25.04 per American Depository Share. Each of these shares represents one quarter of a MorphoSys common share. In a first step, a basic offer was issued to issue 2,075,000 new ordinary shares in the form of 8.3 million American Depository Shares. Subsequently, an option was offered by the underwriting banks to acquire a further 311,250 new ordinary shares in the form of 1.2 million American Depository Shares. The net proceeds from the capital increase after deduction of bank commissions and other fees amounted to € 178.6 million, of which € 2.4 million resulted in an increase in share capital, a further € 176.2 million less transaction costs of € 15.0 million the capital reserve is discontinued. The capital increase is associated with a significant degree of risk given the complex accounting requirements, in particular to narrow the picture of direct and indirect transaction costs and the assessment of whether transaction costs are incremental, high transaction volumes and legal requirements, and is also partly based on estimates the legal representative. Considering this background information, this issue was of particular importance for our audit.

2) In our audit, we assessed the accounting treatment of the capital increase in accordance with the provisions of IAS 32 in conjunction with IFRS 9. The focus of our assessment was on the presentation of gross proceeds and the assessment of the accounting of direct and indirect costs in connection with the capital increase. First, we assessed whether the transaction costs associated with the capital increase are incremental and directly attributable to them, and whether the discretionary powers of the legal representatives were properly exercised in this allocation. Among other things, we have agreed the costs incurred with invoices and framework agreements with the underwriting banks and have subsequently carried out a recalculation of the costs. In addition, we assessed the consideration of exchange rate effects in accordance with IAS 21 and reviewed the conversion rate using external sources. In addition, we have recorded the entry in the commercial register with regard to the amount and the date of registration of the capital increase and have checked the corresponding incoming payments by means of the bank statements of the participating credit institutions. From our point of view, the disclosure of the capital increase and the associated assessments of the legal representatives are sufficiently documented and justified.

3) The Company's capital raise disclosures are included in sections 6.5.1, 6.5.2 and 6.5.5 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, 2018. We were engaged by the supervisory board on July 4, 2018. 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 Stefano Mulas.

Munich, March 13, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(signed Stefano Mulas)	(signed Holger Lutz)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)