

Report of the Supervisory Board

COOPERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

During the 2019 financial year, the Supervisory Board comprehensively performed the duties assigned to it by law, the Articles of Association, Rules of Procedure and – with one exception – the recommendations of the German Corporate Governance Code (hereinafter referred to as 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 discuss the Management Board’s reports and the proposed resolutions in full. 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.

An appropriate resolution was passed when the Supervisory Board’s approval for individual actions was required by law, the Articles of Association or the Rules of Procedure. The Supervisory Board members approved all actions by the Management Board requiring Supervisory Board approval based on the documentation provided in advance by the Management Board. When necessary, the Supervisory Board received the support of the relevant Committees and, together with the Management Board, discussed any projects requiring decision. All matters requiring approval were submitted for review by the Management Board to the Supervisory Board on a timely basis.

Outside of the meetings of the Supervisory Board plenum and the Committees, the chairman of the Supervisory Board regularly exchanged information and ideas with the Management Board and especially the (now: former) Chief Executive Officer, Dr. Simon Moroney, and his successor as the (new) Chief Executive Officer, Dr. Jean-Paul Kress. The Supervisory

Board chairman was always kept promptly informed of the current business situation and any significant business transactions. The Chairs of the Committees have also had regular contact with the Management Board members in their respective areas of responsibility and individual Management Board members on demand.

SUPERVISORY BOARD MEETINGS IN THE 2019 FINANCIAL YEAR AND KEY ITEMS OF DISCUSSION

A total of ten Supervisory Board meetings were held in the 2019 financial year, whereby four meetings were conducted by telephone. The Supervisory Board regularly held closed sessions without participation of the Management Board as part of their Supervisory Board meetings. With the exception of one meeting, all Supervisory Board members were present at all Supervisory Board meetings. A detailed overview of the participation of all Supervisory Board members in the respective Supervisory Board and Committee meetings 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 94 to 95. In urgent cases occurring outside of meetings, the Supervisory Board passed resolutions by written procedure.

During the 2019 financial year, the Supervisory Board paid particular attention to the following topics and passed resolutions on these topics after a thorough review and discussion:

- Evaluation of the Company’s achievement of the 2018 financial year corporate targets and defining the corporate targets for the 2020 financial year;
- agenda and proposed resolutions for the 2019 Annual General Meeting, particularly the nominations of Krisja Vermeylen and Sharon Curran as Supervisory Board candidates for re-election and election at the 2019 Annual General Meeting;
- confirmation of Dr. Marc Cluzel as chair and Frank Morich as deputy chair of the Supervisory Board and establishment and staffing of the Committees in the Board’s constituent meeting following the 2019 Annual General Meeting;
- appointment of the new Chief Executive Officer, Dr. Jean-Paul Kress, and conclusion of a corresponding management board contract;

- conclusion of a release agreement with the former Chief Executive Officer, Dr. Simon Moroney, following his stepping down as of August 31, 2019;
- re-appointment of the members of the Management Board Jens Holstein and Dr. Markus Enzelberger including conclusion of corresponding management board contracts;
- award of the audit contract to the auditor for the 2019 financial year;
- terms and conditions of the long-term incentive plan 2019 and of the stock option plan 2019 as well as the number of performance shares and stock options to be granted to the individual Management Board members under these plans;
- conclusion of a commercial supply agreement for tafasitamab with Boehringer Ingelheim Biopharmaceuticals GmbH;
- financing of MorphoSys US Inc. as well as further set-up of the U.S. organization and operations, in particular to ensure that the organization is ready for a launch of the Company's most advanced proprietary drug candidate tafasitamab in the U.S. by mid-year 2020 following BLA approval by the FDA;
- budget for the 2020 financial year;
- revision of the rules of procedure of the Supervisory Board as well as of the Management Board, including schedules of responsibilities.

We also passed a resolution in the Supervisory Board plenum on the remuneration of Management Board members for the period July 1, 2019 to June 30, 2020, taking external benchmarking into consideration. As set out above, we evaluated the achievement of the 2018 corporate targets that were agreed with the Management Board and discussed and defined the corporate targets for 2020. We commissioned an independent remuneration consultant to confirm the appropriateness of the Management Board's compensation and its comparison to the remuneration of various levels of employees. We discussed and agreed on the key performance indicators for the long-term incentive plans for the Management Board, the Senior Management Group and other employees in key positions. Furthermore, we approved the financial statements for the 2018 financial year, acknowledged the half-year results for 2019 and discussed the first and third quarter reports as well as dealt with the Corporate Governance Report and the Statement on Corporate Governance.

Our regular discussions in the Supervisory Board's plenary meetings were focused on MorphoSys' long term development strategy, revenue and earnings development and the regular

financial reports, the communication to the investor community, 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, interactions with regulatory authorities and the development of new technologies. Further focal points of discussion were the commercialization strategy for tafasitamab and status of activities required for a successful launch of tafasitamab in the U.S. as well as transforming the organization into a fully integrated biopharmaceutical company. Furthermore, we discussed the financial outlook for the 2021/2022 financial years and MorphoSys' associated future potential financing needs. In addition, we carried out an efficiency review of the Supervisory Board's work, which was performed via a questionnaire that included a joint self-evaluation of the Supervisory Board, its Committees and the Management Board. Furthermore, we kept ourselves regularly informed with respect to the Company's asset management policy, risk management, internal audit results, IT security, the internal control and compliance management system as well as status of the implementation of a system of Internal Control over Financial Reporting (ICoFR) to ensure SOX compliance by end of 2019. We also participated in a training session on the German Act implementing the Second Shareholders' Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie, ARUG II), the new German Corporate Governance Code and relevant implications for the Supervisory Board. This training was offered by the Company and held by an external lawyer. And lastly, we monitored the competitive partnership process performed for our proprietary compound tafasitamab and advised on the respective partnership discussions with various potential partners. In this context, in January 2020 we finally reviewed and approved the Global Collaboration and License Agreement with Incyte Corporation ("Incyte"), according to which Incyte will co-commercialize tafasitamab in the U.S. and will receive exclusive commercialization rights for tafasitamab outside the U.S. (the "Incyte Agreement"). Pursuant to the Incyte Agreement, we also resolved an increase of MorphoSys' share capital by issuing 907,441 new ordinary shares from the Authorized Capital 2017-I, excluding pre-emptive rights of existing shareholders, to implement the purchase of 3,629,764 American Depositary Shares by Incyte.

CONFLICTS OF INTEREST WITHIN THE SUPERVISORY BOARD

No conflicts of interest arose within the Supervisory Board in the 2019 financial year.

ACTIVITIES AND MEETINGS OF SUPERVISORY BOARD COMMITTEES

To ensure that its duties are performed efficiently, the Supervisory Board has established three permanent committees – the Audit Committee, the Remuneration and Nomination Committee and the Science and Technology Committee – to prepare the issues that fall within the Supervisory Board’s respective areas of responsibility for the Supervisory Board plenum. In each Supervisory Board meeting, the chairs of the Committees report to the Supervisory Board on the Committees’ work. 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 91 to 96.

The Audit Committee met on five occasions in the 2019 financial year, whereby one of those meetings was held by telephone. All Committee members were present at all Audit Committee meetings. The Committee dealt mainly with accounting issues, quarterly reports, annual financial statements and consolidated financial statements. The Committee discussed these topics with the Management Board and recommended the approval of the financial statements to the Supervisory Board. The auditor took part in all Audit Committee meetings and informed its members of the audit results. The Audit Committee made a recommendation to the Supervisory Board with respect to the Supervisory Board’s proposal at the Annual General Meeting for the election of the independent auditor for the 2019 financial year. In addition, the Audit Committee dealt with the annual update of a list of permitted and pre-approved non-audit services of the auditor. The Committee also discussed the risk management system, the compliance management system and the results of the internal audit conducted in the 2019 financial year, as well as specific accounting issues under International Financial Reporting Standards (IFRS) relevant to the Company. In addition, the Committee regularly discussed the Company’s asset management policy and the investment recommendations made by the Management Board. The Committee also discussed in depth the 2020 budget and the financial outlook for

the 2021/2022 financial years. Furthermore, the Committee monitored the status of the implementation of a system of Internal Control over Financial Reporting (ICoFR) to ensure SOX compliance by end of 2019 and discussed the proposed impairment tests in preparation for the annual audit. Finally, the Committee dealt with the random sampling examination of the annual financial statements and the consolidated financial statements of the Company as of December 31, 2018 by the German Financial Reporting Enforcement Panel (Deutsche Prüfstelle für Rechnungslegung e.V. – DPR). The examination was concluded in November 2019 and did not result in any findings.

To increase efficiency, there is a joint Remuneration and Nomination Committee, which deliberates on matters relating to remuneration and nomination. The Committee met on seven occasions in the 2019 financial year, thereby six times by way of telephone conference. All Committee members participated at all Committee meetings. In its function as a remuneration committee, the Committee mainly dealt with the Management Board’s remuneration system and level of 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 on 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 these “vertical” compensation ratios. In addition, the Committee gave careful consideration to the corporate targets as a basis for the Management Board’s short-term variable remuneration and offered appropriate recommendations to the Supervisory Board for resolution. The Committee discussed the key performance indicators of the long-term incentive plans for the Management Board, Senior Management Group and other employees in key positions. In its function as the Nomination Committee, the Committee recommended the appointment of Dr. Jean-Paul Kress as the new Chief Executive Officer, as well as the re-appointment of Jens Holstein as Chief Financial Officer and of Dr. Markus Enzelberger as Chief Scientific Officer and prepared the corresponding management board contracts. In addition, this Committee prepared the release agreement with the former Chief Executive Officer, Dr. Simon Moroney. Further, the

Nomination Committee recommended the nominations of Krisja Vermeylen and Sharon Curran as Supervisory Board candidates for re-election and election at the 2019 Annual General Meeting. In addition, this Committee dealt with succession planning within the Company.

The Science and Technology Committee met on six occasions during the 2019 financial year, whereby one of those meetings was held by telephone. All Committee members participated in all Committee meetings. The Committee dealt mainly with the Company's discovery activities as well as overall strategy to expand the proprietary drug pipeline, the development of new technologies, the Company's drug development plans and future development strategy, progress in the clinical trials as well as required budget resources. One major focus was the approval strategy for tafasitamab and the interactions with the FDA and EMA. The Committee also addressed the production of clinical trial and commercial materials for the Company's proprietary drug candidates including readiness for commercial supply and the competitive and patent situations of the Company's proprietary drug candidates. Finally, the Committee reviewed the development activities regarding MOR106 and MOR107 as well as the further development of MOR202 in autoimmune diseases.

In addition to the three permanent committees, an ad-hoc deal committee was established in October 2019 to act as sounding board with regard to the tafasitamab partnership discussions, advise on deal terms and make the negotiation process and involvement of the Supervisory Board more efficient in that regard. The ad-hoc deal committee automatically ended with the signing of the Incyte Agreement in January 2020.

CORPORATE GOVERNANCE

The Supervisory Board devoted its attention to the further development of MorphoSys' corporate governance, taking into consideration the Code as amended by the Regierungskommission Deutscher Corporate Governance Kodex (Government Commission for the German Corporate Governance Code) in February 2017. The detailed Corporate Governance Report, including the Corporate Governance Statement according to Section 289f HGB and the Group Statement on Corporate Governance according to Section 315d HGB (German Commercial Code), can be found on the Company's website under the heading "Media & Investors > Corporate Governance > Corporate Governance Report" and in the Annual Report on pages 90 to 117.

We also discussed with the Management Board the Company's compliance with the Code's recommendations and in one justified case approved an exception to the Code's recommendations. Based on this consultation, the Management Board and the Supervisory Board submitted the annual Declaration of Conformity on November 29, 2019. The current version of the Declaration of Conformity can be found in this Annual Report and is permanently available 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

The (former) Chief Executive Officer of the Company, Dr. Simon Moroney, informed the Supervisory Board on February 19, 2019 that he has decided not to renew his contract as a member of the Company's Management Board. As a result of his decision, Dr. Moroney stepped down as a member of the Management Board and Chief Executive Officer of the Company as of the expiry of August 31, 2019. By decision of the Supervisory Board of June 24, 2019, Dr. Jean-Paul Kress was appointed as the new Chief Executive Officer for a term of office of three years from September 1, 2019 until August 31, 2022. No further changes in the composition of the Management Board took place during the 2019 financial year. However, the Chief Scientific Officer of the Company, Dr. Markus Enzelberger, resigned as member of the Management Board and CSO in November 2019 with effect as of February 29, 2020.

The following changes in the composition of the Supervisory Board took place during the 2019 financial year: Krisja Vermeylen was re-elected to the Supervisory Board by the 2019 Annual General Meeting, following expiry of her term of office, and Sharon Curran was newly elected, following an extension of the Supervisory Board from six to seven members. To support the onboarding of new Supervisory Board members, the Company has established a respective handbook outlining principal rights and duties of Supervisory Board members as well as relevant legal documents, such as Rules of Procedure of the Supervisory Board and its Committees.

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

For the 2019 financial year, the Company commissioned PricewaterhouseCoopers GmbH 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 22, 2019. In accordance with Item 7.2.1 of the Code, the Supervisory Board obtained a declaration of independence from the auditor in advance.

The consolidated financial statements and the annual financial statements of MorphoSys AG, as well as the Management Report and Group Management Report for the 2019 financial year, were properly audited by PwC and issued with an unqualified audit opinion. The key topics of the audit for the consolidated and annual financial statements for the 2019 financial year were management override of controls and fraud in revenue recognition, revenue accounting for complex out-licensing arrangements and completeness of revenue recognition, measurement of the carrying amounts of goodwill and intangible assets that have indefinite useful lives, recognition and measurement of the 2019 share-based payment programs, accounting for accruals for outstanding invoices for external laboratory funding and external services, presentation and measurement of financial assets as well as the assessment of the design and effectiveness of internal controls in accordance with SOX404.

In addition, the auditor confirmed that the Management Board had established an appropriate reporting and monitoring system that is suitable in 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 annual 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, the Group Management Report of the MorphoSys Group and the audit report, the annual financial statements and the Management Report of MorphoSys AG were discussed in detail at the Audit Committee meeting on March 10, 2020, and the meeting of the Supervisory Board on March 11, 2020. The auditor attended all meetings concerning the consolidated and annual financial statements, the half-year report and quarterly interim statements and reported on the key results of his audit and review, respectively. The auditor also explained the scope and focus of the audit and review and was available to 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 approves the consolidated and annual financial statements prepared by the Management Board. The Supervisory Board also took note of the audit results and, in turn, reviewed the consolidated and annual 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 consolidated and annual financial statements as well as the Group Management Report and the Management Report as prepared by the Management Board and audited by the auditor, were subsequently approved by the Supervisory Board. Thus, the annual financial statements were adopted.

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' portfolio has continued to mature and expand, and important milestones have been achieved.

The Supervisory Board would also like to thank our departed Management Board members, namely Dr. Simon Moroney for his extraordinary vision and leadership over the past 27 years that contributed substantially to making MorphoSys the biopharmaceutical success story that it is today as well as Dr. Markus Enzelberger for his exceptional dedication and contribution to the science and technology expertise at MorphoSys.

Planegg, March 11, 2020



Dr. Marc Cluzel
Chairman of the Supervisory Board