

Annual Financial Statements as of 31 December 2013 German (GAAP)

MorphoSys AG, Martinsried

Management Report

In the year 2013, MorphoSys concluded two landmark agreements within the Proprietary Development business segment. The alliances with Celgene and GlaxoSmithKline improve the Company's prospects of forging ahead with the development of MOR202 and MOR103 as well as expanding and advancing additional clinical development candidates.

Operations and Business Environment

Organizational Structure

ORGANIZATION OF MORPHOSYS AG

The MorphoSys AG and its subsidiaries develop and commercialize high-quality antibodies for therapeutic applications. Leading proprietary technologies form the basis of the business segments' operating activities. The Partnered Discovery segment operates therapeutic development programs for drug candidates in cooperation with renowned biotechnology and pharmaceutical companies. In this segment, MorphoSys works together with its partners on solutions for the most urgent health issues. Proprietary, innovative therapeutic antibodies are currently being developed in the second segment Proprietary Development. At a certain point in their clinical development, these antibodies could be out-licensed to partners or co-developed in future cooperations.

At the end of 2012, MorphoSys announced the sale of substantially all of the AbD Serotec operating segment¹ to Bio-Rad Laboratories, Inc. (Bio-Rad). The closing of the transaction was dependent upon the fulfillment of certain conditions which were complied with on 10 January 2013 (closing date). Substantially all of the AbD Serotec segment was sold as of this date. Thus, in the first ten days of the reporting year, the complete AbD Serotec operating segment was still part of MorphoSys. This third operating segment, which had specialized in the production and sale of diagnostic antibodies and research applications, was sold upon the completion of this transaction. All of the following information in this report refers exclusively to the continuing operations of the Partnered Discovery and Proprietary Development segments.

The completion of the transaction with Bio-Rad included the transfer of the four locations in Puchheim, Germany, Düsseldorf, Germany, Kidlington, Great Britain, and Raleigh, USA, to Bio-Rad. Thus, for the remainder of the 2013 financial year, MorphoSys only operated MorphoSys AG's parent company location in Martinsried near Munich, Germany. The Partnered Discovery and Proprietary Development segments are located at this site, as are the company's central functions of accounting, controlling, personnel, legal, patents, corporate communications and investor relations.

MORPHOSYS'S LEGAL STRUCTURE

MANAGEMENT AND SUPERVISION

MorphoSys AG is the parent company of the MorphoSys Group, a German stock corporation listed in the Prime Standard segment of the Frankfurt Stock Exchange. In accordance with the German Stock Corporation Act, the Company has a dual management structure with the Management Board as the leading body and its four members appointed and monitored by the Supervisory Board. More detailed information concerning the Group's management and control as well as corporate governance in general may be found in the Corporate Governance Report. The Senior Management Group supports the management of MorphoSys AG and consists of 19 managers from various departments.

¹ Bio-Rad acquired the AbD Serotec segment excluding the Poole Real Estate Ltd. subsidiary, and without the Slonomics technology.

The completion of the transaction with Bio-Rad on 10 January 2013 greatly simplified the structure of the MorphoSys' group in comparison to the previous year. Along with the AbD Serotec operating segment, the shares in the affiliated company MorphoSys UK Ltd. and its subsidiaries -, MorphoSys US, Inc., and MorphoSys AbD GmbH - were sold. As a result, four subsidiaries, in addition to the parent company MorphoSys AG, remained part of the MorphoSys Group (MorphoSys USA, Inc., Poole Real Estate Ltd., MorphoSys IP GmbH, Sloning BioTechnology GmbH). The remaining two operating segments are concentrating exclusively on therapeutic antibody research and development. The antibody business for the diagnostic range was discontinued with the sale of substantially all of the AbD Serotec research and diagnostic segment.

BUSINESS ACTIVITIES

DRUG DEVELOPMENT

MorphoSys develops drugs together with its partners in the pharmaceutical and biotechnology industries and through its proprietary development activities. In the 2013 financial year, the Company was able to start three new partnerships in these areas with Celgene, GlaxoSmithKline and Heptares. The revenues from these partnerships provide MorphoSys with substantial cash flow which is invested in the Company's own research and development. MorphoSys commands one of the broadest pipelines in the industry and currently has a total of 81 individual therapeutic antibody candidates and 43 clinical trials, of which the most advanced trials are in phase 3 (see Fig. 1: Clinical Studies with MorphoSys Antibodies).

TECHNOLOGIES

MorphoSys has developed a number of technologies that offer direct access to fully human antibodies for the treatment of diseases. MorphoSys's most widely-known technologies include HuCAL, which is a collection of billions of fully human antibodies. Ylanthia, the next generation of antibody technologies from MorphoSys, is currently the largest known antibody library in Fab format and is based on an innovative concept for the generation of highly specific and fully human antibodies. MorphoSys believes Ylanthia will shape a new standard in the pharmaceutical industry's development of therapeutic antibodies in this decade and beyond. Slonomics supplies MorphoSys with a patented, fully-automated technology for gene synthesis and modification for the generation of highly diverse gene libraries in a controlled process.

INNOVATION CAPITAL

MorphoSys invests in promising start-ups and their technologies and products when they coincide with the interests of MorphoSys. MorphoSys combines cooperative elements with a classic approach to investing and acting as an industry partner. Currently, the portfolio consists of one investment: privately-owned Lanthio Pharma. Lanthio Pharma specializes in the research and development of lantipeptides. Lantipeptides are an innovative class of therapeutic substances demonstrating a high level of target molecule selectivity and improved compound properties.

TAB.1: TOP 5 MONOCLONAL ANTIBODY DRUGS

Generic Name	Brand [®]	Company	Indications (FDA/EMA approved)	Revenues Estimate for 2013 in US\$ billion
Adalimumab	Humira	Abbvie	Rheumatoid arthritis, juvenile idiopathic arthritis, psoriatic arthritis, Bekhterev's disease (also referred to as ankylosing spondylitis), Crohn's disease, plaque psoriasis	10.34
Rituximab	Mabthera/Rituxan	Roche, Biogen Idec/Genentech	Non-Hodgkin's lymphoma, chronic lymphocytic leukemia, rheumatoid arthritis, Wegener's granulomatosis and microscopic polyangiitis	7.35
Infliximab	Remicade	J&J, Merck, Mitsubishi Tanabe	Crohn's disease, pediatric Crohn's disease, ulcerative colitis, pediatric ulcerative colitis, rheumatoid arthritis, Bekhterev's disease (also referred to as ankylosing spondylitis), psoriatic arthritis, plaque psoriasis	6.53
Trastuzumab	Herceptin	Roche	Adjuvant breast cancer, metastatic breast cancer, metastatic gastric cancer	6.45
Bevacizumab	Avastin	Roche	Metastatic colorectal cancer, non-small cell lung cancer, glioblastoma, metastatic renal cell carcinoma	6.31

Source: Datamonitor

The market for therapeutic antibodies continues to be one of the fastest growing markets in human medicine and also one of the most competitive. In 2013, the fully human monoclonal antibody, adalimumab (Humira[®]), led the list of top-selling drugs worldwide for the second consecutive time. In total, more than 15 of the 40 approved antibody-based drugs achieved annual revenues of more than US\$ 1 billion and reached blockbuster status as a result (see Fig. 2: Total Market for Antibodies).

According to the pharmaceutical database Citeline, there are currently close to 420 monoclonal antibody candidates in clinical development. This makes antibodies the largest category of biologically generated drug candidates. Traditionally, the most important fields of application of antibodies – oncology and autoimmune, inflammatory and infectious diseases – are increasingly augmented by new indications such as Alzheimer's disease, osteoporosis, muscular atrophy, or elevated cholesterol levels. In addition, emerging technologies such as antibody drug conjugates (ADCs), bispecific and trifunctional antibodies, antibodies with modified Fc parts, as well as other antibody formats, will shape the diversity of the antibody market.

In commercializing its antibody technologies, MorphoSys is competing with various providers which can be divided into two categories:

- antibody and antibody fragment technologies,
- technologies based on antibody-like structures (scaffolds).

Market data which thoroughly describes the promotion of technologies within the field of antibody development is not available. MorphoSys had 18 antibody candidates in the clinical pipeline at the end of 2013 that are based on the HuCAL technology giving it the lead in the field of antibody technologies.

MorphoSys competes with a number of companies in the field of therapeutic antibody development and in the out-licensing of clinical development candidates. In the 2013 financial year, MorphoSys was able to conclude lucrative licensing agreements for two of its proprietary development candidates, MOR103 and MOR202. The direct payments received by the Company in the 2013 financial year from these agreements amounted to more than € 130 million. Both agreements provide further performance-related milestones totaling more than € 1 billion, as well as tiered, double-digit royalties and, in the case of MOR202, a 50 % share in the profits generated in Europe.

PARTNERED DISCOVERY

The Partnered Discovery segment uses MorphoSys's technologies for the research, development, and optimization of therapeutic antibodies as drug candidates in extensive partnerships with pharmaceutical and biotechnology companies. While the development costs are borne by the respective partners, MorphoSys is rewarded in the form of research financing, milestone payments, and potential royalties from the product sales of successful programs.

The Company's largest alliance to date is the strategic alliance with Novartis – a pharmaceutical partner with a steady growing pipeline of biotechnologically developed drugs – which was closed in 2007. This collaboration was extended in November 2012 by an additional cooperation agreement. As part of the agreement, both companies will use MorphoSys's next generation antibody platform, Ylanthia, to create therapeutic antibodies. In the future, MorphoSys plans to leverage the technology to gain access to new innovative target molecules for possible in-licensing and co-development.

Drug development carried out with partners allows MorphoSys to be also involved in indications where it would normally not pursue a program itself due to Company's lack of proprietary expertise in that area. In the following, examples will be provided by discussing a number of areas.

DISEASES OF THE CENTRAL NERVOUS SYSTEM-ALZHEIMER'S DISEASE

With the antibody compound gantenerumab, developed by its partner Roche, MorphoSys has a promising treatment for Alzheimer's disease in its pipeline. The HuCAL-based antibody is recognized as one of the most advanced compounds today. Currently, there are no other drugs available which can fundamentally slow the progression of Alzheimer's disease. In the 2013 reporting year, Roche finished the recruitment of patients for its ongoing pivotal phase 2/3 trial in up to 770 patients who are in the early stages of this disease. Data release is expected for 2016. Additionally, the Roche compound is being tested in an independent clinical trial by the "Dominantly Inherited Alzheimer Network" (DIAN), which is testing up to 210 patients for the competing antibody compound solanezumab. Early 2014, Roche announced that a second phase 3 study in up to 1,000 patients with mild Alzheimer's disease will be initiated.

MUSCULOSKELETAL DISORDERS – SPORADIC INCLUSION BODY MYOSITIS

With the antibody compound bimagrumab, developed by its partner Novartis, MorphoSys has a promising treatment in its pipeline for sporadic inclusion body myositis and other diseases of muscle weakness. During the 2013 reporting year, Novartis announced the achievement of a regulatory milestone as it received breakthrough-therapy designation from the US Food and Drug Administration

(FDA). Meanwhile, pivotal phase 2/3 trials have already started. In addition, the antibody received “orphan drug designation” for the indication of sporadic inclusion body myositis in Europe and the USA.

TAB. 2:
MARKET DATA ON SELECTED PARTNERED PROGRAMS IN CLINICAL PHASES 2 AND 3

Program Name	MorphoSys Partner	Indication	Market Potential
Gantenerumab	Roche	Alzheimer's Disease	<ul style="list-style-type: none"> • High medical need due to lack of disease-modifying drugs • High market growth potential due to aging population, earlier and improved diagnosis, and the advent of accompanying immune therapies that are prescribed in addition to existing therapies • Expected CAGR of 10.7 % with a total market volume of approximately US\$ 9.8 billion in 2021
Bimagrumab/ BYM338	Novartis	<ul style="list-style-type: none"> • Inclusion Body Myositis, Cachexia 	<p>Inclusion Body Myositis:</p> <ul style="list-style-type: none"> • Slowly progressive degenerative inflammatory disease of the skeletal muscles with very low prevalence of 1-9/100,000 (orphan disease) • No curative therapy available thus far <p>Cachexia:</p> <ul style="list-style-type: none"> • Emaciation through degradation of muscle and fatty tissue • 80 % of patients with advanced cancer are affected; responsible for at least 20 % of deaths in cancer patients
Guselkumab/ CNT01959	Janssen / J&J	Psoriasis, Rheumatoid Arthritis	<p>Psoriasis:</p> <ul style="list-style-type: none"> • Lifelong disease with high morbidity; has a negative influence on the quality of life • Expected revenue growth from US\$ 3.9 billion in 2010 to over US\$ 7.4 billion in 2020¹⁾ <p>Rheumatoid Arthritis:</p> <ul style="list-style-type: none"> • Inflammatory autoimmune disease which leads to restricted mobility • In the year 2010, there were nearly 4.6 million people¹⁾ with rheumatoid arthritis • Expected annual growth rate of 4.3 %¹⁾ and a potential market of US\$ 18 billion in the year 2020
BHQ880	Novartis	Multiple Myeloma	<ul style="list-style-type: none"> • Malignant tumor of the bone marrow (also called: plasmacytoma) • A potential market of close to US\$ 10 billion is expected in 2015 • Incidence: 102,000 patients worldwide, prevalence: 210,000 patients worldwide

LFG316	Novartis	Age-related Macular Degeneration (AMD), uveitis	<p>AMD:</p> <ul style="list-style-type: none"> • Main cause of severe, irreversible visual impairment in the industrial nations • 7.5 million AMD patients¹⁾ • In 2011, wet AMD accounted for 32 % of the global market for ophthalmology (total market of approx. US\$ 10 billion); by 2018 it is expected to reach a share of 37 % <p>Uveitis (inflammation of the iris):</p> <ul style="list-style-type: none"> • Inflammation of the uvea, which can be caused by autoimmune diseases (also through rheumatoid arthritis) • Affects approx. 1 out of 4,500 people and appears more often in people between 20 and 60 years of age; affects men and women equally
OMP-59R5	OncoMed/ GSK	Pancreatic cancer	<ul style="list-style-type: none"> • High mortality rate (relative five-year survival rate is 5 %) • Limited therapeutic treatment possibilities • Incidence: Approx. 280,000 worldwide (2008) • Expected market potential in 2022: US\$ 1.3 million
CNTO3157	Janssen/J&J	Asthma	<ul style="list-style-type: none"> • Worldwide, the daily lives of 300 million people are severely affected by asthma • 2011: there are 62.9 million diagnosed cases of asthma¹⁾, estimate for 2021: 64.8 million • Market potential in 2012: US\$ 15 million; 2021: US\$ 17 million (CAGR: 1.5 %)
CNTO6785	Janssen/J&J	Rheumatoid Arthritis	<ul style="list-style-type: none"> • Inflammatory autoimmune disease that leads to restricted mobility • In the year 2010, there were nearly 4.6 million people¹⁾ with rheumatoid arthritis • Expected annual growth rate of 4.3 %¹⁾ and a potential market of US\$ 18 billion in the year 2020

Sources: Datamonitor, Decision Resources, www.pharmatimes.com, Visiongain, Globocan, GBI Research, www.bioportfolio.net, Decision Resources

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

PROPRIETARY DEVELOPMENT

An important goal of the Company is to generate additional value by developing innovative proprietary antibody products. MorphoSys's scientists concentrate on indications such as inflammatory and autoimmune disorders, as well as on cancer and infectious diseases. The signing of the contracts in the 2013 financial year is evidence of this strategy's potential (see Fig. 3: Sales Potential of Proprietary Programs).

ONCOLOGY

The ability of monoclonal antibodies to bind specific antigens has led to their dominant position in the field of targeted cancer therapies. The global market for innovative biological therapies for cancer treatment is growing rapidly and steadily. Specifically, BCC Research expects that the size of the biotherapeutic segment of oncology will reach the level of US\$ 50 billion in 2014. With MOR202 and

MOR208, MorphoSys has brought two proprietary cancer programs into clinical trials in the last two years and partnered with Celgene for the further development of MOR202 in the 2013 financial year.

MorphoSys's antibody MOR208 is directed against the CD19 target molecule, which is of particular interest with regard to many B-cell tumors. According to the market research firm Decision Resources, the therapeutic market for B-cell malignancies has a size of approximately US\$ 4 to 5 billion. Current biological therapies for the treatment of B-cell malignancies, including the blockbuster Rituxan[®] (rituximab) and the antibody Gazyva[®] (obinutuzumab), approved in 2013, are directed against the CD20 target molecule. Since the CD19 target molecule is expressed by a larger number of B-cell subtypes in comparison to CD20, the CD19 antibodies are considered an alternative approach. In addition, MOR208 was further improved by changing the constant Fc part of the antibody. This modification leads to both a higher antibody-dependent cell-mediated cytotoxicity (ADCC), as well as improved antibody-dependent cellular phagocytosis (ADCP).

MOR208 successfully completed a clinical phase 1/2a trial in chronic lymphocytic leukemia (CLL) in 2012. The first clinical data was presented in December 2012 at the annual meeting of the American Society of Hematology. In 2013, further data from this trial was presented that confirmed the positive impression given by the first set of data. MorphoSys initiated further clinical phase 2 trials for MOR208 in non-Hodgkin's lymphoma (NHL) and in acute lymphoblastic leukemia (ALL). In addition, MorphoSys announced the start of a so-called investigator-sponsored trial (IST), a phase 2 trial for the treatment of chronic lymphocytic leukemia in which MOR208 is being tested in combination with the compound lenalidomide. It is a clinical trial initiated by doctors of a US research center, in which the entire responsibility (sponsor function) is carried by the clinical center and not by a pharmaceutical company, MorphoSys in this case.

The most advanced therapeutic approach targeting CD19 is a bispecific antibody, which is currently in phase 2 testing for the treatment of ALL. Other clinical programs directed against the same target molecule use different approaches to enhance the antibody's efficacy, e.g. using an antibody drug conjugate or changing the glycosylation pattern of the antibody molecule. As one of the few independent providers, MorphoSys has a clinically tested CD19 antibody that is still available to commercial partners for licensing on the market.

Another recent approach is the so-called CAR-T technologies. In this immunotherapy, immune cells (T cells) are obtained from the patient's blood. Subsequently, the T cells are modified outside the body, so that they are better able to identify and target the tumor cells of the patient. When these T cells are then re-introduced to the patient's blood by infusion, they bind to the targeted cancer cells and destroy them.

In the area of B-cell disorders, various approaches are developed using so-called small molecules.

MorphoSys's antibody, MOR202, is currently being developed for the treatment of multiple myeloma (MM) and is directed against the CD38 target molecule. This project was successfully brought into a partnership with Celgene in the 2013 financial year. Here, MorphoSys was able to use the pharmaceutical industry's growing interest in CD38 as a target molecule for the treatment of MM and thus had a better negotiating position as one of the few independent providers of a CD38 antibody.

Measured in terms of the frequency of occurrence, MM is a relatively small area of oncology. Nevertheless, the MM market has shown impressive revenue figures in recent years and represents a potential market of up to US\$ 9 billion. Significant achievements in clinical practice and the introduction

of effective and high-priced pharmaceutical products have led to an expansion of the market. However, compared with the compounds currently available, there is still untapped market potential in terms of forms of therapy for improving the chances of survival and reducing side effects. Despite significantly higher survival rates, the disease is seldom curable, and the majority of patients experience a relapse. Therefore, alternative treatments, such as those that target the CD38 surface antigen, are particularly in high demand. Next to MOR202, there are two other clinical development programs targeting CD38 in the industry.

INFLAMMATORY AND AUTOIMMUNE DISEASES

Chronic inflammatory and autoimmune diseases affecting millions of patients worldwide, pose considerable social and economic burdens. The IMS Institute for Healthcare Informatics is forecasting a world market for the treatment of autoimmune diseases of US\$ 33 to US\$ 36 billion in the year 2016.

MorphoSys's antibody program MOR103, is targeted against the GM-CSF (granulocyte macrophage colony-stimulating factor) target molecule, a central factor in the emergence of inflammatory disease, such as rheumatoid arthritis and multiple sclerosis (MS). In 2013, MorphoSys brought this project into a lucrative partnership with GlaxoSmithKline (GSK). MorphoSys will complete the ongoing phase 1b trial in MS in the first half of 2014. GSK will take over further development of MOR103.

The RA market offers significant commercial opportunities; biotechnologically-produced drugs already account for more than 80 % of total revenues. The overall market is growing steadily and Datamonitor expects the market to reach US\$ 18 billion by the year 2020.

On the MS market, biotechnologically-produced drugs today already represent a majority of the disease-modified treatment methods – both in terms of revenues and according to the number of approved therapies. Differences in relation to the development and severity of multiple sclerosis lead to the disease being largely segmented into several subtypes, including the relapsing-remitting form of MS as well as primary and secondary progressive forms. This segmentation opens up a variety of access routes to markets for new therapeutic compounds. Currently, the best-selling MS drugs have combined annual revenue of approximately US\$ 11 billion and the market is expected to continue to grow.

MOR103 has the potential to become the first member of the anti-GM-CSF antibody class of drugs. Comparable drugs currently in development also target the GM-CSF molecule or its receptor.

New mechanisms of action for treating inflammatory diseases such as rheumatoid arthritis, osteoporosis, and osteoarthritis are being examined in cooperation with the Belgian Galapagos NV. The aim is to develop new antibody therapies against these diseases. As part of the alliance, both partners will contribute their core technologies and expertise. Under the terms of the agreement, Galapagos and MorphoSys equally share the research and development costs as well as all future revenues.

INFLUENCING FACTORS

Proper medical care for the public is the stated objective of many states and the need continues to grow for new forms of therapy in the face of demographic change. However, cost cutting could slow down the development of the industry. As part of their austerity measures, governments in Europe, in the United States, and in Asia have stepped up their controls in health care and the reimbursement of drugs is examined very carefully.

As already seen in the field of small molecule drugs, generic competition is now becoming an increasing challenge in the biotechnology industry due to the expiry of patent protection for drugs. Nevertheless, the technical barriers to copying bioengineered drugs remain high. However, many drug manufacturers, particularly those from Europe and Asia, are now penetrating this market and increasing the competitive pressure on established biotechnology companies. According to a study by the IMS Institute for Healthcare Informatics, the global market for biogenerics will grow from US\$ 693 million in 2011 to a range of US\$ 4 billion to US\$ 6 billion by the year 2016.

TAB. 3: PROPRIETARY CLINICAL PRODUCT CANDIDATES

	MOR103	MOR202	MOR208
Compound	HuCAL antibody directed against the cytokine GM-CSF (granulocyte-macrophage colony-stimulating factor), a target molecule for a broad spectrum of anti-inflammatory therapies	HuCAL antibody directed against CD38, a target molecule for the treatment of multiple myeloma and certain types of leukemia	<ul style="list-style-type: none"> Humanized, Fc-optimized anti-CD19 antibody for the treatment of malignant diseases of B cells, licensed in 2010
Characteristics	<ul style="list-style-type: none"> Aimed at both monocytes and macrophages Extremely high binding affinity Rapid onset of therapeutic effect 	<ul style="list-style-type: none"> Binds to a unique epitope Causes death of the cancer cells through cytotoxic effects Preclinical trials show synergistic effects with bortezomib and lenalidomide Administered by two-hour infusion 	<ul style="list-style-type: none"> Fc optimization triggers a significantly increased immune response using antibody-dependent cellular cytotoxicity (ADCC) Favorable schedule of administration Uncomplicated production
Financing	<p>Worldwide licensing agreement with GSK</p> <ul style="list-style-type: none"> GSK is responsible for all further development and commercialization of MOR103 in all indications Up-front payment to MorphoSys in the amount of € 22.5 million in 2013 Eligible to receive additional milestone payments from GSK amounting to up to € 423 million as well as tiered double-digit royalties on net sales 	<p>Co-development and co-promotion with Celgene</p> <ul style="list-style-type: none"> Both companies co-develop MOR202 worldwide, cost-sharing 2/3 Celgene, 1/3 MorphoSys Up-front payment in the amount of € 70.8 million, plus equity investment of € 46.2 million Milestone-related payments of up to € 511 million Marketing in Europe results in 50:50 division of earnings, outside of this market, MorphoSys receives tiered double-digit royalties on net sales 	<p>Completely under MorphoSys's control</p> <ul style="list-style-type: none"> Funding currently entirely through MorphoSys
Current Status	<ul style="list-style-type: none"> Successfully completed phase 1b/2a in RA patients Phase 1b trial in multiple sclerosis is ongoing, data expected for H1/2014 	<ul style="list-style-type: none"> Ongoing phase 1/2a trial in patients with multiple myeloma, data expected in H2/2014 Further studies, including combination studies, being planned 	<p>Start of 3 new phase 2 clinical trials in 2013:</p> <ul style="list-style-type: none"> ALL trials in 30 patients, data expected in H2/2014 NHL trial with four subtypes Combination study of lenalidomide in CLL, performed independently of MorphoSys (IST)

IMPORTANT ADVANCES MADE BY MORPHOSYS IN 2013

The following events had a decisive influence on the Company's business development in 2013:

In January 2013, MorphoSys completed the sale of AbD Serotec to Bio-Rad for a total consideration of close to € 53 million. The total amount includes the purchase price, compensation of € 5.3 million for the cash reserves of the AbD Serotec companies, and a license payment for the use of MorphoSys's HuCAL technology in the market for research reagents and diagnostics. Transaction costs of € 1.8 million were incurred in the reporting year in connection with the sale of the AbD Serotec segment. As part of the divestment, a disposal profit before deduction of transactional costs of € 14.3 million was realized in 2013. Through this transaction, MorphoSys sharpened its focus on the therapeutic core business.

In February 2013, MorphoSys and Heptares agreed to cooperate in the development of therapeutic antibodies against G-protein-coupled receptors (GPCRs). This cooperation will provide access to new target molecules for therapeutic antibodies based on the Ylanthia library.

The phase 1/2a trial of the CD19 antibody MOR208 was finalized for the treatment of chronic lymphocytic leukemia (CLL). The final trial results showed an acceptable safety profile with an overall response rate of approximately 30 %. In the spring of 2013, MorphoSys began two phase 2 trials with the CD19 antibody MOR208 in the area of non-Hodgkin's lymphoma (NHL) and in acute lymphoblastic B-cell leukemia (B-ALL).

In June 2013, MorphoSys signed a global licensing agreement with GlaxoSmithKline for the compound MOR103. This contract provides for secured and performance-related payments of up to € 445 million as well as tiered double-digit royalties on net sales. The program had completed a clinical phase 1b/2a trial in patients with mild-to-severe rheumatoid arthritis in the 2012 financial year. MorphoSys is committed to completing the ongoing phase 1b safety trial in multiple sclerosis with increasing dosages. Thereafter, GlaxoSmithKline will solely be responsible for the drug's further development.

Also in June 2013, MorphoSys signed a global development alliance with Celgene for the MOR202 compound. This agreement gives MorphoSys the opportunity to participate in the future value of the MOR202 program via co-development and promotion in Europe. On 10 August 2013, the development cooperation with Celgene for MOR202 came into effect after receiving antitrust clearance. With the signing of the contract, Celgene acquired 797,150 new MorphoSys shares at a price of € 57.90 per share. By the end of 2013, Celgene held approximately 3 % of MorphoSys's registered share capital.

Additionally, in September 2013 a capital increase from authorized capital was carried out bringing gross proceeds of approximately € 84 million. Nearly 1.5 million new shares were issued to international institutional investors at a price of € 55.76 per share, which was the closing price of the day prior to the announcement. The proceeds shall be used to fund the clinical development of MOR208 and MOR202. It is also planned to use the funds to advance the development of other proprietary programs and to make potential acquisitions of businesses, technologies, or products that would meaningfully complement the business model and expand the portfolio.

In October 2013, MorphoSys's partner, Novartis, began a phase 2/3 clinical trial with the HuCAL-based antibody compound bimagrumab (BYM338) in the area of sporadic inclusion body myositis. As a result, there are two partner programs in the final stage of clinical development that are based on MorphoSys's core technology.

Detailed information on MorphoSys's business development during the reporting year can be found in the sections titled "Research and Development" and "Business Development".

Company Overview

FIG. 1: CLINICAL STUDIES WITH MORPHOSYS ANTIBODIES (31 DECEMBER)

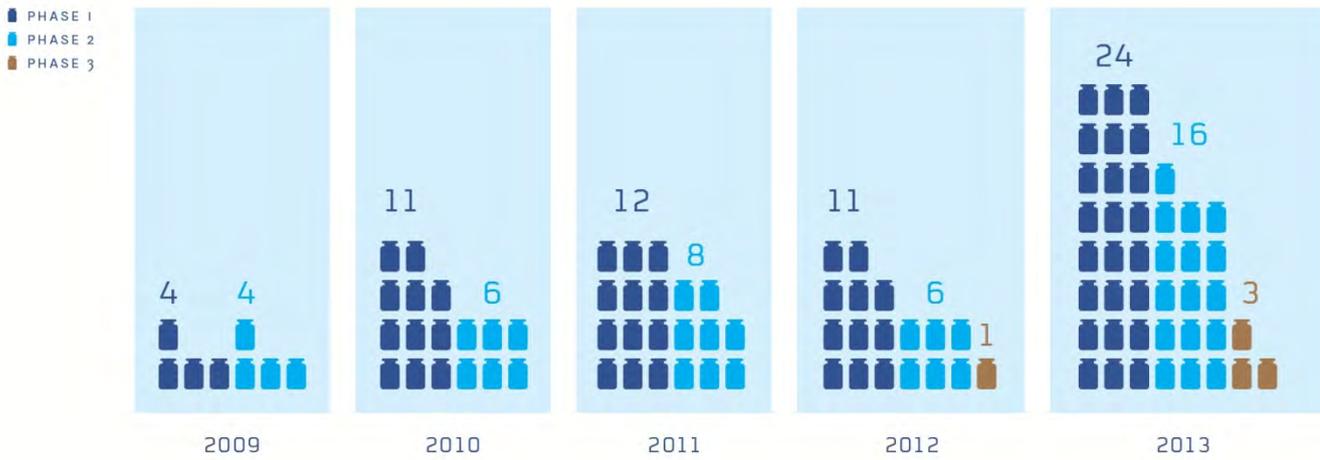
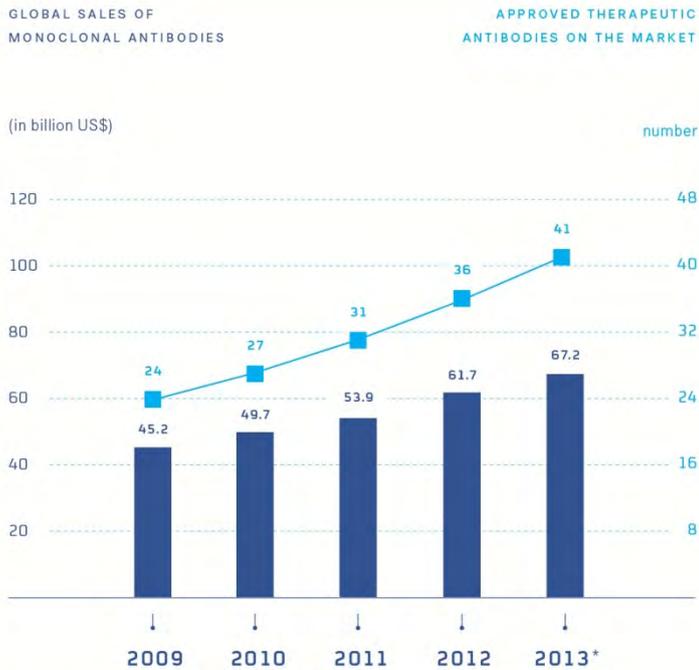
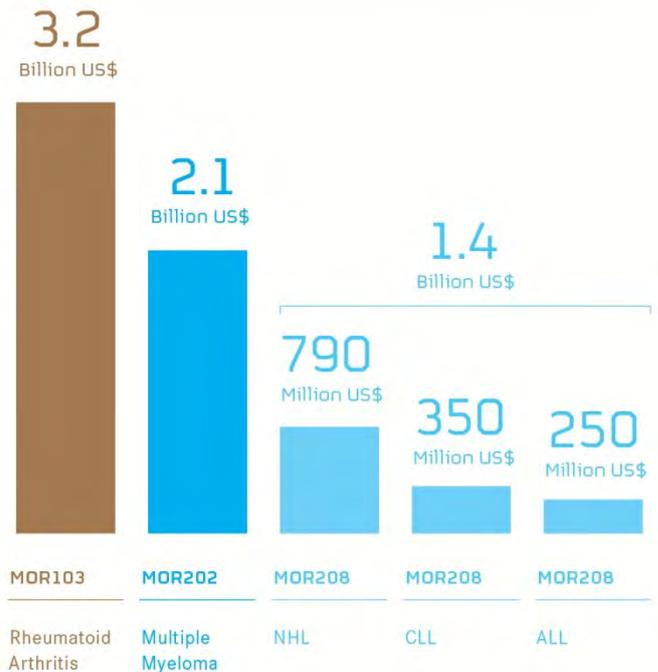


FIG. 2: TOTAL MARKET FOR ANTIBODIES



Source: Datamonitor
* Estimate

FIG. 3: SALES POTENTIAL* OF PROPRIETARY PROGRAMS*



Source: Defined Health
* Information is based on an external study commissioned by MorphoSys, using publicly available information; the numbers given do not represent company guidance.

Strategy and Performance Management

STRATEGY

Based on its high-performance technologies, MorphoSys develops innovative drug candidates, whereby its focus is on antibody-based compounds. Revenues are generated in partnerships with pharmaceutical and biotechnology companies to create a stable financial base and to develop proprietary drug candidates. This business model promotes the steady expansion of the product pipeline and provides long-term value growth to the Company's shareholders.

The Partnered Discovery segment develops optimized therapeutic antibodies for partners in the pharmaceutical industry. With 75 individual antibodies in partnered programs at the end of the 2013 financial year, MorphoSys has one of the broadest antibody pipelines in the industry. The contractually agreed payments that result include licenses for technologies and funded research services as well as performance-based milestone payments and royalties on product sales. Cash flows that are generated in this manner can be reinvested in the Proprietary Development segment. The development of proprietary antibody programs is based on the same technology platform. The compounds in this segment, however, are initially developed in-house. Only in the course of the clinical phase are these compounds either out-licensed to a pharmaceutical or biotech company for further development and commercialization, or brought into a cooperation with a partner (co-development). Under certain conditions, individual projects can also be developed in-house for an extended period of time; possibly even up to the point where they are marketable.

MorphoSys's corporate strategy is largely dependent on the Company's innovative technologies. The antibody platforms serve both as a generator of collaborations with pharmaceutical and biotechnology companies, as well as the basis for successful proprietary developments. The growth drivers are mainly HuCAL – the most successful antibody library in the pharmaceutical industry to date – and the follow-up platform Ylanthia, which is currently the largest known antibody library in Fab format.

With regard to future business development, MorphoSys monitors the international biotechnology industry very closely to ensure sustainable growth via attractive acquisitions and in-licensing. Cash reserves available at the end of 2013 are allocated for investments in proprietary research and development, as well as for strategic transactions that may strengthen MorphoSys's technology base and its therapeutic pipeline. The stated objective is to further increase the enterprise value while maintaining financial discipline and stringent cost control through significant investments in the Company's proprietary development activities.

PERFORMANCE MANAGEMENT

MorphoSys uses both financial and non-financial indicators to achieve sustainable business growth and enhance value for its shareholders. These indicators help monitor the success of strategic decisions in daily operations and to take appropriate countermeasures in a timely manner when necessary.

FINANCIAL PERFORMANCE INDICATORS

The financial indicators used to evaluate the Company's operating performance are mainly key ratios such as revenue and profit from operations. Performance is measured on a monthly basis and budget planning for the current financial year is reviewed and updated quarterly for all segments. Additionally, a medium-term budget is prepared annually that covers the subsequent three years. Detailed cost

analyses are carried out on an ongoing basis. This is the basis used by the Company to monitor its adherence to financial targets and conduct comparisons to previous periods. Selling, general, and administrative expenses as well as research and development (R&D) expenses are monitored particularly closely.

MorphoSys's business performance is influenced by factors such as milestone and license payments, research and development expenses, operating cash flows, liquidity, and working capital. These indicators are also evaluated and compared on a regular basis, whereby the main focus is on cash management, the impact of currency effects, and the attractive investment opportunities that present themselves. The net present values of investments are determined using discounted cash flow models.

TAB. 4: DEVELOPMENT OF FINANCIAL PERFORMANCE INDICATORS

in million €	2013	2012	2011	2010	2009
MorphoSys AG**	76.1	52.9	82.8	70.2	65.3
Partnered Discovery*					
Revenues	49.3	42.9	76.8	66.0	61.7
Proprietary Development*					
Revenues	26.9	7.0	2.4	1.8	1.0
AbD Serotec					
Revenues	0.1	3.2	3.8	3.3	3.5

* The segments Partnered Discovery and Proprietary Development were introduced in 2009.

** Total revenue may deviate from the sum of revenues per segment due to inter-segment revenues.

NON-FINANCIAL PERFORMANCE INDICATORS

In order to illustrate the full scope of the Company's value chain, non-financial performance indicators and financial-related considerations are treated as equal components; for example the progress of the product pipeline, the management of partnerships, or employee-related key ratios (staff turnover rate, length of service, workforce absence rates, etc.; see Employee Figures at a Glance).

The following presentation of non-financial performance indicators is enhanced and elaborated by the explanations found in the Sustainability Report with the appropriate references made to the related sections.

MorphoSys's ambition is to develop world-class antibody technologies and maintain its leading position in the market for therapeutics by virtue of its broad product pipeline. To achieve this goal, the Company's strategy is directed at the steady development of its product pipeline, both in terms of the number of therapeutic antibodies as well as in terms of their quality and maturity. Since successful products are based on world-class technologies, the progress of the technological development is also a key performance indicator. For more information on R&D in the MorphoSys AG, please refer to the section titled "Research and Development".

In addition to the quality of the research and development work, the professional management of the partnerships also stands at the center of our success. Next to new contracts, this includes the strategic development of existing alliances. For more information on our partnered projects, please refer to the section titled "Research and Development with Partners".

Non-financial performance indicators that are also crucial for sustainable corporate success:

Well-trained and dedicated employees are the prerequisites for long-term success in an R&D driven industry such as biotechnology. The Company can only secure and expand its competitive edge by employing a performance-oriented and forward-looking human resources strategy. Therefore, human resources management plays a key strategic role. The aim is to create enthusiasm for MorphoSys among promising talents and bind key performers to the Company in addition to continuously and systematically training the employees. A sign of the personnel management's success in recent years is MorphoSys's highly-qualified and experienced workforce. Information on personnel management at MorphoSys, may be found under the section titled "Human Resources" and in our Sustainability Report.

Responsible behavior is a hallmark of MorphoSys's corporate governance. It is crucial to always observe strict ecological and social principles. For this reason, all processes and products are tested in terms of their impact on environmental protection and occupational safety. Equally essential to a progressive business strategy is rigorous quality assurance. This ensures that both our own high quality standards are met as well as those of our partners and customers. Particular attention is paid to the quality requirements in clinical trials. Having the highest quality and safety standards ensures that MorphoSys always meets these requirements in a flawless manner – a critical success factor for sustainable business success. Further details may be found in the Sustainability Report.

Professional procurement and supply management ensures a consistent level of high quality of goods, consultancy, and other services at the best price/performance ratio for the Company. Established bidding contests and rating processes facilitate the evaluation of products and services. Suitable guidelines ensure that best-practice solutions are taken into account in procurement processes company-wide. For more information on purchasing and procurement management, please refer to our Sustainability Report.

TAB. 5: SUSTAINABLE DEVELOPMENT OF KEY PERFORMANCE INDICATORS AT MORPHOSYS (31 DECEMBER)

		2013	2012	2011	2010	2009
Performance in Proprietary Research & Development¹⁾	(Number of individual antibodies)					
Programs in Discovery		3	2	2	5	3
Programs in Preclinic		0	0	0	1	1
Programs in Phase I		1	1	2	1	0
Programs in Phase II		2	2	1	1	1
Total		6	5	5	8	5
Performance in Partnered Programs¹⁾	(Number of individual antibodies)					
Programs in Discovery		37	34	30	32	32
Programs in Preclinic		22	20	24	20	27
Programs in Phase I		6	8	9	10	4
Programs in Phase II		8	6	6	4	2
Programs in Phase III		2	1	0	0	0
Total		75	69	69	66	65
R&D Expenses According to Segment	(in million €)					
Partnered Discovery		17.5	16.0	19.1	18.9	19.2
Proprietary Development		27.5	18.1	33.9	25.9	19.1
Technology Development		4.2	3.6	2.9	2.1	0.7
Total		49.2	37.7	55.9	46.9	39

1) The method of counting proprietary and partnered programs has been adapted compared to the 2012 Annual Report: Individual antibodies are counted, regardless of the number of indications for which they are developed.

LEADING INDICATORS

MorphoSys monitors leading indicators relating to the macroeconomic environment, the industry, and the Company itself on a monthly basis. On a company level, economic data on the progress of individual programs is gathered for the therapeutic segments. For macroeconomic leading indicators, MorphoSys relies on general market data from external financial studies, which is reviewed for industry transactions, changes in the legal environment, and the availability of research funds.

For each active collaboration, a joint steering committee meets regularly to update and monitor the programs' progress and the emergence of any potential milestone payments. As part of the alliance management, this continual review allows early intervention in cases of potential failures, and provides information on expected milestone payments at a very early stage. In the case of inactive collaborations, a report is provided by the partner which helps MorphoSys track the status of the ongoing therapeutic programs.

In the area of business development, market analyses serve as early indicators and help determine the market's demand for new technologies. Permanent monitoring of the market allows MorphoSys to react to trends and demands at an early stage and initiate its own new activities and partnerships.

Prior to the development of a therapeutic product, a Target Product Profile (TPP) is created. This procedure provides an early indication of the properties a product must attain in order to be successfully placed on the market. Key questions are also clarified within this process, such as, the level of efficacy to be achieved, whether an improvement in the safety profile is at the heart of development, and if the focus should be on a modified administration of the drug candidate. A detailed description of the possible positioning in the market and the relevant patient groups is also part of the TPP. Permanent monitoring of the criteria and their fulfillment ensures that, in the course of product development, the most important factors are always considered and that changes can be responded to in a timely manner.

Developments in the Business Environment

The effects of the debt crisis began to ease gradually in the eurozone. To avoid stifling the economic recovery from the start, the European Central Bank (ECB) maintained its low interest rate strategy. The key interest rate remained at a record low of 0.25 %. Nevertheless, the economy in the euro area has only seen a slow recovery since the recession ended in the spring of 2013. The unemployment rate continued to rise and was recently near 12 %. The OECD estimates that in 2013, gross domestic product (GDP) in the eurozone contracted again by around 0.4 %. One negative economic factor came from Cyprus, where the extensively discussed austerity plan envisaged making even small savers liable. The fear of other EU states adopting similar measures led to increased uncertainty and put pressure on the stock markets. In April, Portugal's Constitutional Court also declared key parts of the austerity budget as unconstitutional. The German economy, however, was able to again record a slight year-on-year rise in GDP growth of about 0.5 %. This growth was due to robust private consumption in Germany. Additionally, positive signals came from strong German export data. In October, the sale of goods abroad worth € 99.1 billion even set a new record.

In 2013, the US experienced restrained economic growth and, according to OECD estimates, GDP grew 1.7 %. Federal budget consolidation and a sluggish business and consumer climate stagnated growth and the budget crisis intensified even further over the course of the 2013 financial year. The temporary compromise found among Democrats and Republicans in late 2012 did not result in a final agreement and the automatic budget cuts, the so-called fiscal cliff, occurred in March 2013. The situation escalated during the year and resulted in a day-long shutdown of the public administration (government shutdown) in early October, which brought public life to a standstill. However, towards year's end, the parties could at least temporarily avoid the next looming budget crisis by agreeing to a minimum compromise.

News from Asia elicited expectations of a further ease in monetary policy. However, a sharp rise in interest rates on the Chinese interbanking market sparked temporary worries among market participants that the recovering economy may be seeing renewed weakness and thus impact the momentum of the global economy in the months to come. Some observers saw this as a sign of trouble in the Chinese financial sector. Consequently, the stability of some of the banks was critically questioned. The OECD expects Japan to report GDP growth of 1.8 % in 2013 and expects strong GDP growth in China of 7.7 %.

The development of the global economy does not usually have an immediate effect on the business development of MorphoSys. During the period under review, had the US budget crisis and the forced leave of absence of the US Federal Administration escalated further, it may have had a limited impact on MorphoSys's business development. Such events could cause delays in the work of the US Food and Drug Administration (FDA) as well as delays at the research centers of the National Institutes of Health (NIH), which would also ultimately affect the processes of drug development projects. However, there was no evidence that the above caused a noticeable change in MorphoSys's business performance in 2013.

CURRENCY DEVELOPMENTS

Despite weak economic data from the eurozone, the common currency demonstrated excellent performance in 2013. The euro experienced strong growth – particularly in the second half of the year – and not only against the US dollar. At only € 0.72 per dollar in October 2013, the US currency traded at its lowest level in over two years. At year's end, trading activity on international financial markets was marked by solidifying hopes of leading central banks continuing to provide ample liquidity.

The interest rate decision by the ECB and positive economic data from the United Kingdom in 2013 were responsible for ensuring that the British pound could gain some ground against the euro.

Changes in these three currencies affect the costs and revenues of MorphoSys although to a lesser extent than in previous years following the disposal of AbD Serotec. In 2013, MorphoSys predominantly accounts in euro. A detailed description of the currency impact in the course of 2013 may be found in the financial analysis.

DEVELOPMENTS IN THE PHARMACEUTICAL AND BIOTECHNOLOGY INDUSTRY

According to estimates by the US market research institute, IMS Institute for Healthcare Informatics, the pharmaceutical sector achieved revenues of approximately US \$ 830 billion worldwide last year and is expected to grow to over US\$ 1 trillion in 2017. More than two-thirds of this amount are derived from the pharmaceutical industry in the eight largest markets: the US, Germany, France, Italy, the UK, Spain, Japan, and China. The US market remained the largest single pharmaceutical market in 2013.

The emerging countries are considered to be the decisive growth drivers. Although per capita expenditure on drugs is still relatively low, incomes are growing and health insurance systems were or are expected to be implemented. The so-called pharmerging markets, which include China, India, Brazil, and Turkey, are expected to comprise about two thirds of total revenue growth by 2017 and represent approximately 35 % of the global pharmaceutical market. According to IMS, the Chinese market alone is expected to double to a range of US\$ 160 – 190 billion by the year 2017.

The pharmaceutical industry continues to see significant challenges due to the expiry of patent protection for blockbuster products and from the competition presented by generics – compound copies of the original drugs. The term "patent cliff" describes the closely spaced patent expiration dates for pharmaceutical blockbusters in the years 2009 to 2015 and their impact on the pharmaceutical industry. Whereas in the past, competition from generics mainly concerned chemically-produced drugs, generic versions of biopharmaceuticals – so-called biosimilars – are also finding their way into the future markets. Due to the complexity of biopharmaceuticals, including antibodies, their barriers to market entry continue to be substantially higher than those for generic versions of chemically-produced

drugs, due in large part to regulatory approval requirements. This is reflected in the pricing of biosimilars, which have significantly lower price discounts.

According to the National Venture Capital Association and PricewaterhouseCoopers, venture capital investments – the key source of capital for privately owned companies and start-ups – grew 8 % in the US life sciences sector and amounted to US\$ 4.5 billion. Europe was not able to join this trend according to Dow Jones VentureSource.

DEVELOPMENTS IN THE ANTIBODY INDUSTRY

In the USA, the compound Kadcyła® (trastuzumab emtansine) was approved in the first quarter of 2013 as a new antibody drug conjugate for the treatment of HER2-positive metastatic breast cancer. In the fourth quarter of 2013, the FDA approved Gazyva® (obinutuzumab), which is an antibody developed for the treatment of patients with previously untreated chronic lymphocytic leukemia (CLL). Both drugs are marketed by the Roche pharmaceutical company.

The compound Inflectra®, a generic drug of the compound Remicade® (infliximab), became the first biogenetically-produced monoclonal antibody to receive regulatory approval in Europe. Inflectra was approved for the treatment of inflammatory diseases such as rheumatoid arthritis and psoriasis.

In terms of research results, therapeutic antibodies were amongst the approaches highlighted at ASCO 2013, the most important conference in the field of cancer research. The antibodies nivolumab and lambrolizumab, both directed against the target molecule PD-1, which regulates the immune system's ability to fight cancer, attracted particular attention due to positive clinical data.

In terms of licensing agreements, the contracts concluded by MorphoSys with GlaxoSmithKline and Celgene counted among the most extensive collaborations across the entire industry in the 2013 business year. Furthermore, the pharmaceutical companies Bayer, Pfizer, and Astellas also signed large collaboration agreements, geared more toward immunoconjugates, with the biotech companies Seattle Genetics, Cytomyx, and Ambryx. In the first quarter of 2013, the biotechnology company Biogen Idec had announced it was purchasing all of the rights to the multiple sclerosis antibody Tysabri from its development partner Elan Corp. Biogen paid Elan US\$ 3.25 billion for these rights.

In terms of acquisitions, the purchase of Onyx Pharmaceuticals Inc. for approximately US\$ 10 billion by biotechnology giant Amgen, was the most relevant transaction in the industry during the reporting year. Onyx specializes in the development of anticancer drugs and is involved in the treatment of multiple myeloma with the compound Kyprolis® (carfilzomib). Through its subsidiary Medimmune, the British pharmaceutical company AstraZeneca acquired the biotech company Spirogen for an initial US\$ 200 million and further performance-related payments of up to US\$ 240 million. Spirogen specializes in cancer antibodies.

REGULATORY ENVIRONMENT

The healthcare sector is highly regulated in terms of pricing, reimbursement, and regulatory approval. In 2013, pressure from health care systems and reimbursers on the pharmaceutical industry remained high to submit drugs for regulatory approval that show evidence of providing significant additional benefits. From a positive point of view, these challenges the pharmaceutical companies are facing can be considered beneficial in terms of the willingness to innovate and take on more risk.

In the 2013 financial year, the US supervisory and regulatory authority (FDA) granted approval for 27 new drugs, which was far less than in the previous year. In 2013, the FDA introduced a new and greatly accelerated approval process, the so-called breakthrough-therapy designation. This status allows compounds with significant medical potential a quicker pathway to regulatory approval and allows closer cooperation with the authorities, which holds out the prospect for faster approval. By the end of 2013, the FDA had awarded this status to 37 preparations. Among them were five therapeutic antibodies, one of which was based on antibody technology from MorphoSys.

In August 2013, the FDA granted breakthrough-therapy designation to the HuCAL antibody developed by Novartis, bimagrumab (formerly: BYM338). This may result in MorphoSys receiving royalties from product sales earlier than expected.

Research and Development

MorphoSys is a specialist in innovative products and technologies in the field of drug development. Therefore, its long-term economic success is largely based on the successful work carried out in research and development. MorphoSys's technology platforms are continually being improved and expanded with additional modules. Additionally, MorphoSys conducts research primarily in the areas of cancer and inflammatory diseases for proprietary drug candidates whose properties must be studied in very elaborate, and in some cases, multi-year clinical trials.

As a research-driven company, MorphoSys is committed to conserving resources and ensuring a sustainable business through optimized processes in laboratory operation. More information on this subject may be found in the Sustainability Report.

MorphoSys continuously invests in the improvement of laboratory equipment to maintain its long-term competitiveness. The largest investments in 2013 may be found in the following table:

TAB. 6: CAPITAL EXPENDITURE ON FIXED ASSETS IN 2013 (SELECTION OF MAJOR INVESTMENTS)

(in 000's €)	2013
Enterprise Resource Planning (ERP) Software*	359
Corporate Performance Management (CPM) Software*	230
Flow cytometer (lab equipment)	160
Autosampler (lab equipment)	136
Micro plate reader (lab equipment)	91
Light scattering detector (lab equipment)	80

* Software solutions for improving corporate management and consolidation:

ERP: Detailed control of business processes

CPM: Financial consolidation, budgeting, controlling

PARTNERED DISCOVERY

In the course of the 2013 financial year, the number of distinct therapeutic antibodies², based on MorphoSys technology, being developed by partners, rose to 75 (31 December 2012: 69 individual antibodies). Of those, currently 16 antibodies are in clinical development, 22 in pre-clinical development, and 37 are in the discovery phase.

In view of the progress of the projects, a new phase 1 investigational drug, three projects that were progressing from phase 1 to phase 2 clinical development, and another program in a pivotal phase 2/3 trial, the year 2013 marks one of the most successful business years in the Company's history. In May 2013, MorphoSys announced the start of a clinical trial with a new antibody compound as part of the cooperation with Novartis. The relevant fully human HuCAL antibody is being developed for therapeutic use in the field of ophthalmology. MorphoSys's partner, Janssen, began with two new phase 2 clinical trials for HuCAL antibodies in the third quarter of 2013. A trial with the HuCAL antibody CNTO3157 was started with asthma patients, and a second trial began with the HuCAL antibody CNTO6785 in patients with active rheumatoid arthritis.

In the fourth quarter of 2013, Novartis began phase 2/3 clinical trials with the HuCAL-based antibody compound bimagrumab (BYM338) against sporadic inclusion body myositis. In August 2013, Novartis received the FDA's so-called breakthrough therapy designation for this indication for bimagrumab. Using this status, the FDA internally prioritizes the most innovative and promising compounds. In addition, a Novartis project in phase 2 took a step forward; VAY736 is a HuCAL antibody against a skin disease caused by an autoimmune reaction.

In addition to the sheer number of programs, the partners also expanded the clinical trial programs of existing active compounds. About 20 new clinical trials were initiated in the 2013 financial year.

On 23 May 2013, Johnson & Johnson (J&J) organized a Pharmaceuticals Business Review. During the event, the first promising data was presented on guselkumab (CNTO1959), a HuCAL antibody specific to IL-23. The antibody was developed in collaboration with Janssen Biotechnology and is in phase 2 clinical trials for psoriasis and rheumatoid arthritis. The trials will be completed in 2014.

On 30 January 2014, Roche announced the initiation of an additional phase 3 trial for gantenerumab. The clinical trial is expected to start with patient recruitment in the second quarter of 2014, and will treat approximately 1,000 patients with a mild expression of Alzheimer's disease with gantenerumab (compared to placebo) over a period of 100 weeks. This trial will run until March 2019.

PROPRIETARY DEVELOPMENT

In the 2013 financial year, MorphoSys pursued three proprietary antibody compounds in clinical trials:

- The MOR103 antibody in the areas of rheumatoid arthritis (RA) and multiple sclerosis (MS) directed against the GM-CSF target molecule;

² The method of counting proprietary and partnered programs has been adapted compared to the 2012 Annual Report: Individual antibodies are counted, regardless of the number of indications for which they are developed.

- the HuCAL antibody MOR202 in the field of multiple myeloma (MM) directed against the target molecule CD38;
- MOR208, an Fc-engineered, humanized antibody in the field of malignant B-cell diseases and directed against the CD19 target molecule.

MOR103 and MOR202 are already part of larger partnerships, while MOR208 is still developed entirely in-house. In the 2013 financial year, the ongoing clinical trials continued as planned for the preparations of MOR103 for the treatment of MS and MOR202 in the area of multiple myeloma. MorphoSys continues to be responsible for these trials as part of the partnerships with GlaxoSmithKline and Celgene.

Final data for MOR208 was announced after completion of the clinical phase 1/2a trial in patients with relapsed or refractory chronic lymphocytic leukemia (CLL / SLL). First data on the safety and objective response, according to the original eight-week treatment plan, was presented at the annual meeting of the American Society of Hematology in December 2012. Due to the first signs of efficacy in this difficult to treat patient group, the study protocol was expanded to treat patients who benefited from treatment, in the highest dosage group for a longer duration. Eight patients qualified for longer treatment and were given up to four additional cycles of treatment with MOR208, including an extended follow-up on the response to the treatment. The final study results, including the extended treatment arm, showed an overall response rate of 29.6 % (according to the criteria of the IWCLL 2008) based on the total number of treated participants in the study (n = 27) – a doubling of the previously published response rate of 14.8 %. A detailed analysis of the trial results will be published in a scientific publication.

The patient dosage of MOR208 began in two new phase 2 clinical trials, in order to verify the compound's potential for indications of non-Hodgkin's lymphoma (NHL) and acute lymphoblastic leukemia (ALL). In addition, a so-called investigator-sponsored trial (IST) was started. This is a phase 2 clinical trial for the treatment of chronic lymphocytic leukemia, in which MOR208 is being tested in combination with the compound lenalidomide. ISTs are clinical trials, initiated by physicians of a research institute, in which the total responsibility (sponsor function) rests with the clinical center and not with a pharmaceutical company, MorphoSys in this case.

With regard to projects at the preclinical development stage, MorphoSys decided to discontinue an early research program in the area of infectious diseases. The program launched in September 2010 in conjunction with the British biopharmaceutical company, Absynth Biologics, examined various antibodies to combat *Staphylococcus aureus* type pathogens.

Currently, MorphoSys is pursuing various programs which are in the early discovery phase. Included in these programs is the co-development program with Galapagos NV, as well as two programs which are in part being carried out in cooperation with external research institutions.

Business Development

During the past financial year, MorphoSys significantly strengthened its pipeline in its two business segments Partnered Discovery and Proprietary Development. The contracts with GlaxoSmithKline and Celgene strengthened the Proprietary Development segment. The partnered pipeline matured further and now includes numerous projects in advanced stages of clinical development.

PARTNERED DISCOVERY

In 2013, MorphoSys's partnered pipeline has matured significantly. Four of the five clinical advances achieved with partners in the 2013 financial year were directly recognized in revenues as a result of linked milestone payments. The progress of the projects bimagrumab/BYM338 and NOV-7 (both of Novartis: start of a phase 2/3 trial for BYM338 and the start of a phase 1 trial for NOV-7) as well as CNTO 3157 and CNTO 6785 (both of Janssen, both start of phase 2 trials) triggered clinical milestone payments. The sum of the performance-based payments achieved during the fiscal year 2013 amounted to € 3.0 million and exceeded the previous year's level. The phase 2 start of the VAY736 project was not linked to milestone payments.

In February 2013, MorphoSys and British Heptares Therapeutics Ltd, a leader in the field of compound discovery against G-protein-coupled receptors (GPCRs), agreed to a collaboration for the development of novel therapeutic antibodies against membrane-bound GPCR proteins. GPCRs are crucial for a variety of biological processes and diseases. Under the terms of the agreement, Heptares will develop stabilized receptors as antigens for a set of GPCR target molecules selected by MorphoSys. MorphoSys will then apply its Ylanthia antibody library to develop therapeutic compound candidates against these target molecules. MorphoSys has the right to sublicense partners' access to these target molecules in combination with therapeutic antibody programs. Heptares will receive upfront payments and further research funding payments and participate in MorphoSys's future revenues from related license agreements. Heptares also chose to develop a therapeutic antibody against a GPCR target molecule based on MorphoSys's Ylanthia library. In this context, MorphoSys is eligible to receive license fees, milestone payments, and royalties.

PROPRIETARY DEVELOPMENT

MorphoSys significantly strengthened its proprietary development portfolio during the 2013 financial year and won two partnerships for the further development of its clinical portfolio.

On 3 June 2013, MorphoSys announced a global agreement with GlaxoSmithKline (GSK) for the development and commercialization of MOR103. MOR103 is a proprietary HuCAL antibody directed against the GM-CSF target molecule which completed a clinical phase 1b/2a trial in patients with mild to moderate rheumatoid arthritis. Under the terms of the agreement, GSK assumes responsibility for the entire development and commercialization of MOR103. Also under the agreement, MorphoSys received an immediate upfront payment of € 22.5 million. Depending on the achievement of certain developmental stages, as well as regulatory, commercial, and revenue-related milestones, MorphoSys is eligible to receive additional payments from GSK in the amount of up to € 423 million, as well as tiered double-digit royalties on net sales.

The alliance with the US biotechnology company Celgene Corporation for the MOR202 program announced in the second quarter of 2013 became effective on 10 August 2013 following the approval of the US antitrust agencies under the Hart-Scott-Rodino Act. MorphoSys received an upfront payment of € 70.8 million. Celgene also acquired 797,150 new MorphoSys shares at € 57.90 per share. This represents a premium of 5.0 % to the closing share price on 9 August 2013. Compared to the share price prior to the cooperation announcement on 26 June 2013, this is a premium of approximately 53 %. Currently, Celgene holds about 3 % of MorphoSys's registered share capital.

MorphoSys and Celgene will jointly drive the further development of MOR202 for the treatment of multiple myeloma and other indications and share development costs in a ratio of 1/3 (MorphoSys) to 2/3 (Celgene). MorphoSys may receive additional development-related as well as regulatory and sales-related milestones as part of the cooperation. The Company has a 50:50 co-promote in Europe and gets tiered, double-digit royalties on net sales outside of Europe. The total volume of the contract could reach up to € 628 million if all development-dependent, regulatory, and revenue-related milestones be achieved.

The phase 1/2a trial in CLL for the MOR208 program was completed in the 2013 financial year. MorphoSys's partner Xencor was sponsor of this program. MorphoSys is now solely responsible for this program's further development and commercialization. The phase 2 trials in acute lymphoblastic B-cell leukemia (B-ALL) and non-Hodgkin's lymphoma (NHL) began in the second quarter of 2013 with patient recruitment, with MorphoSys as sponsor. The beginning of recruitment for the B-ALL indication triggered a milestone payment to Xencor.

The MorphoSys Share

The extremely successful 2013 financial year for MorphoSys was also reflected in the development of the share price. In early October 2013, the share penetrated the 60 euro level, reaching a twelve-year high. The shares received a particular boost from the announcement of two collaborations for proprietary drug candidates: The signing of a global licensing agreement with GlaxoSmithKline for MOR103 in early June, and especially the strategic alliance with Celgene for MOR202, which was announced at the end of June, resulted in significant increases in the share price. By year end 2013, MorphoSys shares closed with a gain of 87 %. During the same period, the TecDAX rose 38 % and the NASDAQ Biotech Index rose 60 %.

FIG. 4: PERFORMANCE OF THE MORPHOSYS SHARE IN 2013 [1 JANUARY 2013 = 100 %]



FIG. 5: COMPARISON OF THE MORPHOSYS SHARE PRICE DEVELOPMENT WITH BENCHMARK INDICES BETWEEN 2009 AND 2013 (1 JANUARY 2009 = 100 %)



STOCK MARKET DEVELOPMENT

Historically low interest rates boosted stock markets worldwide in 2013. Particularly in the US, the sentiment on the capital markets with regard to biotechnology companies was still very positive. During the year, 46 initial public offerings of biotech companies on the NASDAQ alone raised funds of approximately US\$ 3.5 billion. This value has only been exceeded in the year 2000 when there was a total of 63 IPOs for almost US\$ 6 billion. In addition to the US markets, the European stock market environment also benefited from well-filled development pipelines and various successful approvals in the industry. However, since the greatest interest in investing in biotechnology companies still resides in the US, MorphoSys significantly expanded its investor relations activities in the US market in 2013.

LIQUIDITY AND INDEX MEMBERSHIP

In 2013, the average daily trading volume of the MorphoSys share on all trading platforms more than tripled compared to the previous year, increasing 354 % to € 6.9 million. This development can be attributed to an increase in both the share price and the number of shares traded. In the TecDAX, the index of the 30 largest technology stocks on the Frankfurt Stock Exchange, the trading volume of the shares traded on average also increased by over 40 %. MorphoSys was able to continue to consolidate its position in the TecDAX and improve its position at the end of 2013: Measured by market capitalization MorphoSys took 7th place (year-end 2012: 12th place); based on trading volume, it held 11th place (year-end 2012: 14th place).

COMMON STOCK

The Company's share capital increased in 2013 to 26,220,882 shares, € 26,220,882.00 respectively. The reason for this increase was the exercise of 551,438 stock options and convertible bonds as well as two capital increases from authorized capital.

As part of the alliance for MOR202, Celgene acquired 797,150 new shares at a price of € 57.90 per share, which corresponded to a premium of 5.0 % to the closing share price on 9 August 2013.

In September 2013, MorphoSys issued 1,514,066 new shares from authorized capital to international institutional investors at a price of € 55.76 per share. This share price corresponded to the closing price of the previous trading day, 18 September 2013.

MorphoSys issued stock options and non-interest bearing convertible bonds under its employee participation program until 2010. In 2011, this was changed to a performance share plan. The company repurchases shares for this share plan. A detailed description of this program can be found in the Corporate Governance Report included in this Report. In April 2013, 449,999 convertible bonds and 61,600 performance shares were granted to the Management Board and the Senior Management Group under the third long-term incentive program (LTI plan). Detailed information on this issue may be found in the Notes. No further stock options were issued to the Management Board, members of the Senior Management Group, or the workforce during the reporting year.

TAB. 7: KEY DATA FOR THE MORPHOSYS SHARE (AS OF 31 DECEMBER OF EACH YEAR)

	2013	2012	2011	2010	2009
Total Stockholders' Equity (in million €)	346.4	192.1	189.8	180.3	167.9
Number of Shares Issued (number)	26,220,882	23,358,228	23,112,167	22,890,252	22,660,557
Market Capitalization (in million €)	1,464	685	405	424	386
Closing Price in € (Xetra)	55.85	29.30	17.53	18.53	17.04
Average Daily Trading Volume (in million €)*	6.9	1.9	1.8	1.1	1.3
Average Daily Trading Volume (in % of Share Capital)*	0.59	0.38	0.38	0.26	0.34

* Figures from 2009 to 2011 only include trading on Xetra and German regional exchanges.

GROWING AMOUNT OF INTERNATIONAL INVESTORS

During the year, various voting right notifications were issued according to Sections 21, 25, or 26 of the German Securities Trading Act (WpHG). These were published on the MorphoSys website under the heading "Media and Investors – Share Information – Shareholder Structure".

According to the definition given by the Deutsche Börse, 92.7 % of the shares of MorphoSys AG were in free float at the end of the reporting year. The share of international investors has continued to increase. According to the latest voting rights announcement, Massachusetts Mutual Life Insurance (Oppenheimer Funds) is currently our largest single investor with a stake of about 7 %. During the reporting year,

Celgene Corporation acquired a shareholding of approximately 3 % as part of the alliance for MOR202 (status as of 31 December 2013). MorphoSys was also able to increase the amount of international institutional investors through the issue of 1,514,066 new shares from authorized capital in September 2013.

An overview over the current shareholder structure is also accessible on the Company's website (Media & Investors > Stock Information > Shareholder Structure).

ANNUAL GENERAL MEETING

On 4 June 2013, the Management and Supervisory Boards of MorphoSys AG welcomed shareholders to the Company's 15th Annual General Meeting in Munich. The shareholders and proxies attending represented nearly 42 % of the common stock of MorphoSys AG. All six agenda items submitted for resolution were adopted by a clear majority. This year the Annual General Meeting is scheduled for 23 May 2014 and will take place once again in Munich.

INVESTOR RELATIONS ACTIVITIES

In the 2013 financial year, MorphoSys further intensified its communication with the capital markets. The company presented at 26 international investor conferences and at a number of roadshows and individual meetings in Europe and the US. The greatest interest was registered in the US, where a large number of specialized healthcare investors have their headquarters. At the publication of annual, half-yearly, and quarterly results, telephone conferences were also held in which the Management Board reported on past and future business developments and answered questions from analysts and investors.

The main topics at the investor meetings, aside from the progress of the drug pipeline, were the recent partnerships for the proprietary programs and their development possibilities.

At the end of the year, eleven analysts observed and evaluated MorphoSys's share development (2012: ten analysts).

TAB. 8: ANALYST RECOMMENDATIONS (AS OF 31 DECEMBER 2013)

Buy/Overweight	Hold	Sell	n/a
8	2	0	1

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

More detailed information on the MorphoSys share, financial ratios, the Company's strategic direction, as well as the latest developments in the Company may be found on the Company's website ("Media and Investors").

Human Resources

HEADCOUNT DEVELOPMENT

MorphoSys's corporate success is based on its highly-trained staff and their creativity and motivation. As of 31 December 2013, there were 295 people employed at MorphoSys AG (31 December 2012: 312 employees), of which 118 hold a PhD degree (31 December 2012: 127). During 2013, the MorphoSys AG employed 286 people on average (2012: 311).

A competitive and attractive remuneration system is a crucial factor when competing for the best employees. In order to compete successfully as an employer, MorphoSys conducts an annual comparison of its remuneration versus remuneration paid in the biotechnology industry and other comparable sectors. If necessary, the salary structure is adapted accordingly. In order to meet the requirements of a state-of-the-art compensation system in the future, MorphoSys decided to make an adjustment to its existing remuneration system during the reporting year. This adjustment defers part of the variable remuneration in favor of fixed remuneration which is valid for all employees except for the members of the Managing Board. The annual bonus is then linked exclusively to the achievement of corporate goals. Additionally, a newly introduced spot bonus promptly rewards (on the spot) the outstanding achievements of employees. The new compensation system took effect on 1 January 2014.

In the Sustainability Report, you will find a detailed overview of the development of the workforce and MorphoSys's activities with regard to long-term successful work in human resources.

TAB. 9: TOTAL HEADCOUNT (31 DECEMBER)

	2013	2012	2011	2010	2009
Total Headcount	295	312	329	318	271

Analysis of Net Assets, Financial Position, and Results of Operations

At the end of 2012, MorphoSys announced the sale of substantially all of the AbD Serotec business to Bio-Rad Laboratories, Inc. (Bio-Rad). The closing of the transaction was dependent upon the fulfillment of certain conditions that were met on 10 January 2013 (closing date). Hence, substantially all of the AbD Serotec segment was sold as of this date. Along with the Transaction, the MorphoSys UK Ltd. investment with all subsidiary companies was sold to BioRad as well as several assets and liabilities of Morphosys AG and a non exclusive license for HuCAL-Technologie usage.

Revenues

Compared to the same period in the previous year, revenues increased of 44 % to € 76.1 million (2012: € 52.9 million). This increase was primarily attributed to the out-licensing of the MOR103 antibody program to GlaxoSmithKline, as well as to license income in connection with the sale of the AbD Serotec segment to Bio-Rad. As part of this sale, a non-exclusive license for the use of the HuCAL technology in the market for research reagents and diagnostics was also transferred to Bio-Rad. The increase also resulted from the global agreement with Celgene Corporation in the co-development of the MOR202 cancer program and its joint commercialization (co-promotion) in Europe.

Revenues arising from the segments Partnered Discovery and Proprietary Development accounted for € 49.3 million (2012: € 42.9 million) and € 26.7 million (2012: € 7.0 million) of total revenues, while the AbD Serotec segment generated € 0.1 million (2012: € 3.0 million).

Of total revenues, € 0.03 million (2012: € 0.3 million) were generated with domestic companies and € 6.9 million (2012: € 2.1 million) with biotechnology and pharmaceutical companies and non-profit organizations located in North America. Revenues in the amount of € 69.2 million were generated with companies located in other European countries and Asia (2012: € 50.5 million). In 2013, no revenues were incurred from other countries (2012: € 0.02 million).

Cost of Sales

Cost of Sales mainly comprised expenses for research and development and increased by € 18.0 million to € 62.0 million (2012: € 44.0 million). This change is mainly a result of higher personnel costs (2013: € 29.8 million; 2012: € 19.7 million) and costs for external services (2013: € 15.7 million; 2012: € 8.4 million). The increase in personnel expenses is mainly due to the taxation of non-cash benefits of employees from the exercise of stock options. Costs for external services mainly increased due to higher investments into external laboratory funding in connection with MorphoSys's proprietary product development activities. In 2013, an impairment charge was recognized in the Proprietary Development segment for licenses for concessions, intellectual property rights, and similar rights and assets in the amount of € 0.7 million.

Selling expenses

Selling expenses increased by € 0.9 million to € 3.2 million (2012: € 2.3 million). This change is mainly a result of higher costs for external services and personnel costs.

General and administrative expenses

General and administrative expenses amounted to € 27.4 million (2012: € 13.0 million). This increase is mainly a result of higher personnel costs (2013: € 17,1 million; 2012: € 7,5 million) and costs for external services (2013: € 7,1 million; 2012: € 2,7 million). The increase in personnel expenses is mainly due to the taxation of non-cash benefits of employees from the exercise of stock options. In 2013, costs for external services included selling costs in connection with the sale of substantially all of the AbD Serotec segment in the amount of € 1.8 million. A further increase was caused by legal and consulting fees in connection with the outlicensing of the proprietary programs MOR103 and MOR202.

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

Other operating income amounted to € 21.9 million and increased by € 18.2 million compared to 2012. This increase was mainly a result of taxation of cash benefits in connection with the exercise of stock options by employees of the Company. Compared to prior year, significantly more stock options have been exercised. The increase of this item has to be seen in connection with higher personnel costs in the areas cost of sales, selling expenses and general and administrative expenses.

Other operating expenses increased from € 0.2 million in 2012 to € 0.9 million in 2013, mainly due to higher foreign currency losses and allowance for doubtful accounts.

Other interest and similar income slightly increased to € 0.4 million, while other interest and similar expenses rose to € 0.1 million.

Income from Profit Pooling Arrangements

Due to a control and profit pooling agreement (effective from 20 November 2002), profits in the amount of € 3.3 million (2012: € 3.2 million) were transferred from MorphoSys IP GmbH, Martinsried, to MorphoSys AG.

Income from Other Securities and Loans Presented under Financial Assets

Income in the amount of € 0.5 million from other securities and loans presented under financial assets (2012: € 0.5 million) mainly included realized gains on other securities.

Extraordinary Income

Extraordinary Income in the amount of € 14.3 million (2012: € 0.0 million) resulted from the sale of the investment in Morphosys UK Ltd. and its subsidiaries to Bio Rad and the transfer of other assets and liabilities of MorphoSysAG to Bio-Rad in the context of the sale of business unit AbD Serotec.

Income Tax

Income tax expenses increased from € 0.4 million in 2012 to € 3.6 million in 2013, mainly due to the increased result from ordinary activities in 2013 and the sale of business unit AbD Serotec.

Result from ordinary activities/ Net Profit

The developments described above lead to a result from ordinary activities of € 8.7 million (2012: € 1.1 million) and a net profit after taxes in the amount of € 19.4 million (2012: € 0.7 million).

Financial Situation

PRINCIPLES OF FINANCIAL MANAGEMENT

At MorphoSys, the primary objective of financial management is to provide sufficient liquidity reserves for industry-specific fluctuations and for the continued growth of the Company at all times. The main sources for this are the operational business activities of the various parts of the Company and the resulting cash flows. Scenario projections and cash flow projections are used to determine the liquidity requirement.

INVESTMENTS

In 2013, MorphoSys spent € 1.0 million on investments into property, plant, and equipment. Compared to prior year, the investments slightly increased by € 0.1 million. Depreciation of property, plant, and equipment decreased compared to prior year and amounted to € 1.4 million in 2013 compared with € 1.9 million in 2012.

In 2013, the Company invested € 3.9 million (2012: € 0.9 million) in intangible assets, especially in one inlicensed research program and software. Amortization of intangible assets amounted to € 1.8 million in 2013 and, compared to prior year, increased by € 0.3 million (2012: € 1.6 million). In the third quarter of 2013, an impairment of licenses amounting to € 0.7 million was recognized.

The decrease in financial assets from € 53.0 million to € 21.8 million in financial year 2013 mainly resulted from the sale of the investment in Morphosys UK Ltd. and its subsidiaries to Bio Rad. This effect was partly offset by a further investment into Lanthio Pharma B. V., a privately held Dutch Company. As of 31 December 2013, Morphosys's share in Lanthio Pharma B.V.'s share capital amounted to 19.98 % and remained unchanged.

LIQUIDITY

As of 31 December 2013, cash on hand and cash in banks, other securities and other financial assets increased to € 373.0 million (2012: € 114.0 million)

The rise in liquidity compared to the previous year primarily resulted from the contract with Celgene (one-off upfront payment of circa € 71 million and the purchase of MorphoSys shares in the amount of circa € 46 million), from the capital increase carried out in September (circa € 84 million), from the proceeds from the purchase price of the divested AbD Serotec business (circa € 53 million, including the amount accrued on an escrow account), as well as from the contract with GlaxoSmithKline (one-off upfront payment of circa € 22 million).

Balance Sheet

ASSETS

As of 31 December 2013, total assets increased by € 231.2 million to € 437.1 million compared to € 205.9 million on 31 December 2012. This change mainly derived from an increase of other securities, other financial assets and of cash on hand and cash in banks. This increase was partly compensated by a decrease in financial assets from € 53.0 million to € 21.8 million, which was mainly driven by the sale of the investment in Morphosys UK Ltd. and its subsidiaries to Bio Rad.

PROVISIONS / LIABILITIES

As of 31 December 2012, provisions amounted to € 20.8 million, compared to € 10.7 million in the previous year. The increase was mainly due to higher provisions for outstanding invoices for external laboratory funding (2013: € 6.8 million, 2012: € 2.9 million) and higher provisions for personnel-related expenses (2012: € 5.6 million, 2011: € 3.7 million). Tax provisions increased from € 0.2 million to € 2.7 million.

Other liabilities increased from € 0.6 million as of 31 December 2012 to € 1.1 million as of 31 December 2013. This is mainly due to higher payroll tax liabilities.

STOCKHOLDERS' EQUITY

Total stockholders' equity amounted to € 346.4 million as of 31 December 2013, compared to € 192.1 million as of 31 December 2012, resulting in an equity ratio of 79% (2011: 93%).

As of 31 December 2013, the number of shares issued totaled 26,220,882, of which 25,880,992 shares were outstanding (31 December 2012: 23,358,228 and 23,102,813 shares, respectively). The increase in shares outstanding of 2,778,179 is due to the issuance of 2,311,216 new shares in connection with the capital increase in September 2013 and the purchase of MorphoSys shares by Celgene, the exercise of options issued to the Management Board and employees (551,438) and the repurchase of the Company's own stock (84,475). The repurchased shares will be used to supply the Company's long-term incentive plans (LTI) for management.

Compared to 31 December 2012, the number of authorized ordinary shares fell from 43,142,455 to 36,614,174 since the Authorized Capital 2008-I from the 2008 Annual General Meeting expired on 30 April 2013 and had not been used.

Treasury shares amounted to 339,890 shares as of 31 December 2013 (2012: 255,415 shares).

As of 31 December 2013, the capital reserve amounted to € 290.2 million, compared to € 155.3 million as of 31 December 2012. The increase by € 134.9 million mainly resulted from the issuance of new shares in connection with the capital increase in September 2013 and the Celgene transaction, as well as from additions relating to the exercise of stock options.

Other earnings reserves increased from € 10.5 million as of 31 December 2012 to € 13.1 million as of 31 December 2013. In 2013, an amount of € 2.7 million (2012: € 1.7 million) was withdrawn from other earnings reserves due to the repurchase of the Company's own stock for the long-term incentive plan and was settled with the difference from the purchase of treasury stock. A part of net profit 2013 in the amount of € 5.3 million was allocated to other earnings reserves (2012: € 0.7 million), whereas the remaining net profit of € 14.1 million was carried forward as part of the accumulated income. As of 31 December 2013, the accumulated income amounted to € 17.2 million (2012: € 3.1 million).

Financing

As of 31 December 2013, the Company's equity ratio amounted to 79 % compared to 93 % as of 31 December 2012. Despite the capital measures mentioned, the lower equity ratio in comparison to the previous year resulted from the significant increase in current and non-current deferred revenues since upfront payments received in the Celgene transaction are deferred over several periods. Presently, the company is not carrying financial liabilities.

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 2013 reporting year, MorphoSys demonstrated very solid financial performance. The revenue and earnings targets published at the beginning of 2013 was raised repeatedly by the Company, on the occasion of the licensing contract for MOR103 with GlaxoSmithKline, the cooperation agreement with Celgene, and lower-than-expected costs for the development of MOR202 in 2013.

A detailed comparison of our forecast targets with the actual results may be found in table 10.

TAB. 10: COMPARISON OF PROJECTED AND ACTUAL BUSINESS PERFORMANCE

	2013 Targets	2013 Results
Financial Targets	Revenues between of € 48 million to € 52 million	Revenues of € 76.1 million Initial forecast was exceeded by the license agreement with GSK and the transaction with Celgene
	Investment in proprietary R&D of € 32 million to € 37 million	Investment in proprietary R&D of € 31.7 million
	EBIT of € (18) million to € (22) million	EBIT of € 8.7 million Initial forecast was exceeded by the license agreement with GSK and the transaction with Celgene
Proprietary R&D	MOR103 <ul style="list-style-type: none"> - Selection of a partner for the continuation of clinical development - Continuation of recently initiated phase 1b trials in MS as a second indication 	MOR103 <ul style="list-style-type: none"> - Signing of a global licensing agreement with GlaxoSmithKline for inflammatory diseases - Continuation of the phase 1b trial. Data is expected in the first half of 2014
	MOR202 Continuation of the phase 1/2a trial in multiple myeloma	MOR202 Signing of a strategic alliance with Celgene for the continued development and co-promotion of the CD38 cancer program
	MOR208 Initiation of two phase 2 trials in NHL and ALL	MOR208 <ul style="list-style-type: none"> - Initiation of a phase 2 trial in patients with relapsed/refractory B-cell leukemia (B-ALL) - Initiation of a phase 2 trial in patients with relapsed/refractory non-Hodgkin's lymphoma (NHL) - Initiation of a phase 2 trial with MOR208 in combination with the medication lenalidomide (Revlimid[®]) in patients with CLL. The investigator-sponsored trial is being conducted by the Ohio State University (OSU) - Announcement of promising data following successful completion of expanded phase 1/2a trials in CLL/SLL financed by Xencor
Partner Pipeline	Continuation of partnered development programs	<ul style="list-style-type: none"> • Net increase of six partnered programs <ul style="list-style-type: none"> - Pipeline continued to mature and added one further phase 1 program, three phase 2 programs, and one phase 3 program
	Up to five clinical milestones	Four clinical milestones were achieved in 2013: <ul style="list-style-type: none"> - Initiation of a phase 1 trial of a HuCAL antibody by our partner, Novartis, for the indication of ophthalmology - Janssen Biotech begins phase 2 clinical trial in asthma patients with the HuCAL antibody CNTO 3157 - Initiation of a phase 1 trial with the HuCAL antibody CNTO 6785 in patients with active rheumatoid arthritis by our partner, Janssen - Phase 2/3 milestones by Novartis with the start of a clinical trial of bimagrumab (BYM338) in the disease area of sporadic inclusion body myositis

The Management Board's General Assessment of Business Performance

Once again the Management Board can look back on a very successful business development of the MorphoSys in the 2013 financial year. The targets set at the beginning of 2013 have been met to a great extent and, in some cases, have even been exceeded. As intended, a strong financial partner was won with GlaxoSmithKline for the further development of the MOR103 compound. In terms of MOR202, MorphoSys was able to enter into a financially and strategically attractive alliance with Celgene, in the absence of any available clinical data, by using the favorable market situation and increased interest in MOR202's approach to therapy.

In the 2013 financial year, revenues from continuing operations of MorphoSys amounted to € 76.1 million or 44 % above the adjusted comparable value of the previous year. With an EBIT of € 8.7 million, the Company remained profitable once again. An equity ratio of 79 %, liquidity of € 373.0 million (inclusive purchase price for the divested AbD Serotec business held in an escrow account) and the absence of financial debt, underscore the very solid financial situation of the Company.

The Partnered Discovery segment made the largest contribution to the operation's success again in this reporting year. For the first time, the Proprietary Development segment generated notable revenues due to the conclusion of contracts with GlaxoSmithKline and Celgene. As a result of the positive business performance of both segments, MorphoSys was able to continue to invest significantly in proprietary products and technology development. Despite the continued high level of investment, the Company was still able to report solid operating profits.

Investments in research and development are reflected in our ever-maturing product pipeline. MorphoSys's proprietary compounds are showing excellent progress, including further clinical efficacy data on MOR208 and the advancements made by this drug candidate in three phase 2 trials. In 2013, with bimagrumab, the second HuCAL program progressed to a phase 3 trial.

The sale of the AbD Serotec segment to Bio-Rad was executed swiftly and smoothly and the closing of the transaction was announced shortly after the start of 2013.

Accounting Judgments

In the 2013 Annual financial statements, no accounting policies were applied or related options exercised that differed from those in prior years and that, if applied or exercised differently, would have had a material effect on net assets, the financial position, or on the balance sheet structure. Information on the effects of the Management Board's use of estimates, assumptions, and judgments, can be found in the Notes to the Annual Financial Statements.

Sustainability Report

For MorphoSys, sustainability means ecological and social responsibility for the benefit of today's and future generations. As a research-driven Company in the field of biotechnology, compliance with the highest ecological, social, and ethical standards goes hand in hand with long-term economical success. The Sustainability Report details the measures taken during the reporting year in order to meet these standards. Information of the management structure and corporate governance practices of MorphoSys can be found in the Corporate Governance Report.

Sustainable Corporate Management at MorphoSys

A hallmark of MorphoSys's corporate management is sustainable and responsible behavior to generate essential added value to the society. This is true at all levels of management for both the short and long-term. This endeavor has already been reflected in the core activity of the Company to develop even more effective and safer drugs. In daily operations, a high value is always placed on working in harmony with strict ecological and social principles. Therefore, MorphoSys pursues a business model aimed at sustainable growth, which protects the interests of its shareholders, creates long-term value, and evaluates processes with regard to their effects on the environment, society, patients, and employees. A forward-looking human resources policy, which takes the needs of the employees seriously, reflects this business model internally.

MorphoSys bases its long-term and sustainable business success on targeted and innovative research and development. Biotechnologically-produced drugs have an increasing share in the health care of a growing and aging population. Comprehensive health care is one of the main challenges of the future. MorphoSys can make a valuable contribution through its drug candidates. In management's opinion, MorphoSys's present business model does not contain any components which are contrary to the sustainable investment interests of the shareholders.

A comprehensive risk management system ensures that factors which could threaten sustainable corporate performance are identified at an early stage, and appropriate countermeasures are taken, if necessary. MorphoSys only assumes a risk if simultaneously an opportunity is offered to increase the company's value. At the same time, tremendous effort is being made to systematically identify new opportunities and to leverage our business success (for more information on risks and opportunities please refer to the "Risk and Opportunity Report").

The entire Management Board, chaired by the Chief Executive Officer, monitors Group-wide compliance with the sustainability strategy. The Credo as part of the Code of Conduct regulates the implementation of the strategy by employees in daily operations. It is valid for all employees of the Group and is available in both the German and English languages. Routine employee training on the Code of Conduct in general, and on specific sections, ensure that the guidelines are understood and implemented. The Code of Conduct Committee consists of four members (Chairperson and three other members), and is at the disposal of and may be contacted by all employees. In addition, a Compliance Officer coordinates the Compliance Management System of MorphoSys since the end of 2013. If preferred, each employee can receive advice on an anonymous basis on all matters relating to legal compliance and corporate responsibility, and report suspected cases or violations. Breaches of compliance are consistently pursued

and the appropriate countermeasures are taken. However, no such violation has been reported to date, and the Company believes serious offenses that could materially affect MorphoSys's net assets, financial position, and results of operations are unlikely in the future.

When reporting on sustainability, MorphoSys uses the so-called Sustainable Development Key Performance Indicators (SD-KPIs), which are also recommended by the SD-KPI standard. These include performance in proprietary R&D (SD-KPI 1) and performance in partnered programs as benchmarks for the commercialization rate (SD-KPI 2) (see "Strategy and Performance Management"). In the last five years, no products have been recalled and there were no fines or settlements imposed that were caused by disputes (SD-KPI 3). The following report on the implementation of MorphoSys's corporate strategy and sustainable corporate development is based on the recommendations of the German Sustainability Code, which was proposed by the German Council for Sustainable Development in October 2011.

Sustainable Performance at MorphoSys

ETHICAL STANDARDS AND COMMUNICATION WITH STAKEHOLDERS

The highest scientific and ethical principles when conducting human clinical trials or animal testing are anchored in MorphoSys's Code of Conduct. The Company adheres, in particular, to the Declaration of Helsinki of the World Medical Association (WMA). Strict compliance with national and internationally applied regulations is mandatory for all MorphoSys employees as well as for subcontractors.

Since European legislation requires the use of animal testing in order to determine the toxicity, pharmacokinetics, and pharmacodynamics of a compound candidate, the biotechnology industry cannot currently forgo such testing. MorphoSys does not have its own suitable research laboratories for these types of trials, therefore the Company passes these animal studies on to contract research organizations (CROs). In the course of its product development activities, MorphoSys contracts out animal trials, according to the principles of good animal welfare and respectful treatment of animals as set out in national and European regulations. MorphoSys has launched a quality assurance and control system with written standard operating procedures (SOPs). This system is maintained and continually improved to ensure that only those contract research organizations that follow the local, national, and international regulations are contracted for animal studies. Principally, trials are carried out only after the approval of the relevant ethics committee concerned and only under the constant supervision of a veterinarian.

Institutes cooperating with MorphoSys, must comply with the legal requirements for research involving animals, and also possess the quality assurance verification of Good Laboratory Practice (GLP) and/or an accreditation of the AAALAC (Association for Assessment and Accreditation of Laboratory Animal Care). This is how MorphoSys ensures it fulfills its moral obligation for the respectful treatment of animals. In addition, as part of auditing, the trial sites, contract research institutes, the training and competency of relevant staff, as well as animal welfare are verified on location and conducted before the final award of the contract.

The Declaration of Helsinki mentioned above, also defines the ethical principles followed by MorphoSys in dealing with healthy volunteers and with patients during clinical trials. These trials are also carried out in compliance with the relevant provisions on privacy and confidentiality. Respect for the rights, safety, and welfare of all participants involved in clinical trials have highest priority at MorphoSys.

Clinical trials are initiated only after approval by the independent ethics committee concerned and/or the institutional review panel. Before participating in a clinical trial, each participant must submit an informed consent on a voluntary basis.

The aim of the business activities of MorphoSys is to improve the health of patients through its scientific work. However, the company can only achieve this objective if its activities also find social acceptance. This requires a continuous and open dialogue with stakeholders in order for MorphoSys to understand the potential concerns regarding biotechnological approaches, and so that it may explain its activities and their benefits. Consequently, MorphoSys is active in a variety of ways, for example by participating in public information events, and by actively supporting the Communication and Public Relations task force of BIO Deutschland e.V.

PROCUREMENT

The Central Purchasing & Logistics department was created in 2012 to support the business and is responsible for the company's procurement and ensuring the uninterrupted supply of external goods, services, consulting, and logistics services. The department manages relationships with suppliers to ensure a consistent high quality of goods and services that meet the required standards. The department is constantly striving to improve the efficiency and effectiveness of procurement processes. In the course of the reporting year, partnerships with suppliers have been strengthened by the introduction of special framework agreements. All suppliers selected by MorphoSys are committed to the observance of human rights and internationally recognized labor standards. The activities of the central purchasing department secured savings in the reporting year of approximately 9 % of the corresponding expenditures in 2013.

ENVIRONMENTAL PROTECTION AND OCCUPATIONAL SAFETY

In a strictly regulated industry such as the biotechnology industry, the environmental protection and occupational safety department plays a material role in the Company. The department centrally monitors compliance with all relevant provisions within MorphoSys. Beyond the Company's strict compliance with all legal requirements, MorphoSys undertakes a variety of efforts throughout the company for sustainable environmental management and the reliable protection of its employees (see Fig. 17: Occupational Safety at MorphoSys).

The conservation of resources is a key task. Thus, as the renovation of office space was initiated in 2013, special attention was paid to the use of sustainable materials. The textile floor coverings, for example, were purchased from a European manufacturer who was one of the first to receive an independent Environmental Product Declaration (EPD). Local workshops were commissioned for the necessary renovations. In addition, MorphoSys led various measures for energy savings and waste reduction. These measures not only had a positive impact on the environment, but also reduced costs in the reporting year. In 2013, as in prior years, MorphoSys participated in the survey conducted by the Carbon Disclosure Project (CDP) for monitoring internal resource consumption. For the fifth consecutive year, the Company took part in the study of this independent non-profit organization which aims to reduce greenhouse gases and promote sustainable water usage. As in previous years, the study's results showed that there was no need for action on the part of the Company. Nevertheless, MorphoSys uses the annual results for the routine and structured monitoring of its consumption, and thus would be in a position to promptly take action in the case of any excessive consumption. Successful resource-saving measures established in the past were pursued consistently; for example, energy and cost-saving

monitor screens, energy-efficient laboratory equipment, and measures for the economical use of paper and printer toner.

In 2013, MorphoSys supported the joint initiative Bike to Work sponsored by a German health insurance company and the German Bicycle Club (ADFC). Because of this commitment, MorphoSys has been certified as a bicycle-friendly operation for the third consecutive time. In addition to this initiative, there were extensive offers for all employees on preventative health care and the promotion of health. These included offers such as autogenic training, Pilates, ball sports, participation in running events, etc. In September 2013, MorphoSys organized a Health Day under the slogan: "It's about your health!", and encouraged the company's workforce to participate voluntarily. Approximately 60 % of employees participated in the lectures and campaigns. The employees were also made aware of the subjects of pressure and stress in psychologically accompanied seminars.

With only two reportable accidents in the reporting year, the number of accidents fell below the level of the previous year (three reportable accidents). Thus, the rate at MorphoSys of approximately three accidents per 1,000 employees is well below the average rate in Germany (about 26 accidents per 1,000 employees according to the latest survey in 2011).

MorphoSys attempts to minimize the amount of contaminants used in laboratory work. Only a specially trained group of people are permitted to deal with toxins, and work with infectious pathogens may only be carried out in secured laboratories. MorphoSys only commissions companies certified for the disposal of chemical waste. MorphoSys avoids using radioactive substances for labeling antibodies.

QUALITY ASSURANCE

The adherence to the highest safety and quality standards is a special responsibility of biopharmaceutical companies. MorphoSys pursues detailed procedures and strict rules in order to avoid security risks in drug development that may pose a serious threat to patients and the economic situation of the company. In this manner, the Company guarantees the quality of the investigational medicinal products, keeps the risks to subjects of clinical trials as low as possible, and ensures that the data can be collected reliably and correctly processed.

In order to control and regulate these processes, MorphoSys established an integrated quality management system for its Proprietary Development department, which complies with the principles of Good Manufacturing Practice (GMP), as well as those of 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 head of quality assurance reports and coordinates all activities directly with the Management Board. In this manner, MorphoSys achieves high quality standards, ensures product quality and data integrity, and guarantees the safety of the test subjects (see Fig. 7: Quality Management System at MorphoSys).

The quality assurance department creates a verification plan using a risk-based approach. On the basis of this plan, an audit is conducted on the selection of the contract research institutes, suppliers, and research sites participating in the clinical trials

For its Proprietary Development activities, MorphoSys possesses a manufacturing license for the release of investigational medicinal products and was awarded a certificate for compliance with the standards

and guidelines of Good Manufacturing Practice (GMP) by the government of Upper Bavaria which is the responsible German authority.

INTELLECTUAL PROPERTY

Proprietary technologies and the resulting products are MorphoSys's most valuable capital. Therefore, it is critical to the success of the Company to secure a strong patent position for its technology portfolio and its MOR103, MOR202, and MOR208 development programs. In the case of partnered programs, the partner companies file patent applications for individual drugs in cooperation with MorphoSys's patent department. Such drug development programs possess additional patent protection, the duration of which far exceeds that of the underlying technologies, such as HuCAL or Ylanthia.

In 2013, the Company systematically expanded and focused its patent portfolio. In terms of technology, decisive steps were taken to efficiently protect the new Ylanthia antibody platform. The first patents have already been granted. Additionally, MorphoSys possesses a variety of other technology patents, which serve as the basis for the Company's growth and aid the drug development programs. Patent protection for the Ylanthia platform will run at least until the year 2031 (see Fig. 8 Patent Lifetime for Key Platform Technologies).

The Company's proprietary development programs are closely monitored under patent law. For example, the most advanced programs, MOR103 and MOR202, which have been brought into partnerships, are each protected by more than a half dozen different patent applications that cover the most varied aspects of these compounds and thus provide effective protection. The various patents and associated protection certificates are not expected to expire until 2031. The program MOR208 is also protected by various patents. In the fourth quarter, MorphoSys for example announced the receipt of a new US patent and a European patent to protect the cancer compound MOR208. The new patents granted include the protein and gene sequences of the antibody, as well as the pharmaceutical preparations comprising these. They have a scheduled expiry date of 2029 for the US patent, and 2027 in the case of the European patent excluding any possible patent office or regulatory extensions.

Presently, MorphoSys patent attorneys attend to approximately 40 different patent families globally, in addition to the numerous patent families pursued by the Company together with its partners. The patent portfolio is routinely analyzed and adapted to the corporate strategy of the Company.

PERSONNEL

The Company relies on a forward-looking human resources policy in order to promote Company loyalty among its professionally and personally suitable employees in various disciplines. In an industry such as biotechnology, in which success is highly dependent upon the creativity and commitment of the workforce, employee retention and satisfaction are key factors of success. At the end of the reporting year, MorphoSys's workforce comprised employees of 18 different nationalities (2012: 16), who have been with the Company for 5.4 years on average (2012: 5.1 years).

A comprehensive range of further training, internal and external training programs, and special training and development programs are available for the employees of the different departments. Along with professional development, MorphoSys enhances the personal development of its employees and in some individual cases, supports them through individualized coaching. The quarterly management workshops, initiated in 2012, also continued with great success in 2013. These workshops offer all

executives concrete support in addressing management tasks. Uniform regulations serve as guidance within the context of sustainable human resources management. In July 2013, managers at all levels met for a workshop which had four main topics:

- promoting an understanding of the actions of the different areas of the Company;
- creating awareness of leadership issues;
- emphasizing the importance of responsible interdisciplinary cooperation;
- advising on ways to optimize the current compensation system.

The resulting proposals served the Management Board as an aid in decision making during the conversion of the remuneration system as of 1 January 2014.

MorphoSys offers the opportunity for in-house vocational training in order to provide young people with promising future career prospects. As of 31 December 2013, MorphoSys employed three trainees in the IT department, six biology laboratory technician apprentices, and one human resources services trainee (31 December 2012: three IT apprentices and six biology laboratory technician trainees, one human resources service trainee).

Transparent communication within the workforce is a fundamental component of MorphoSys's corporate culture, as described in the ethical principles (The Credo) of the Company. Every two weeks, "General Meetings" are held, in which the Management Board describes all of the Company's recent developments to the employees. Employees also present selected projects and open-ended questions are answered. Questions or feedback from the workforce can be made either directly in the meeting or in advance and submitted in written form. If preferred, this may also be done anonymously. In addition, the Company intranet and its integrated document management system provide updated and relevant information in a structured manner for all employees.

New employees take part in a two-day introductory course to familiarize themselves with the company. Hereby, employees can obtain extensive information on business processes on the basis of individual lectures held by all departments. Sports and relaxation options, such as Pilates lessons and courses in autogenic training, are free of charge and encourage health and the social exchange of employees across all departments.

Effective concepts for reconciling professional development with personal life planning is a strategic success factor for future-oriented companies. Therefore, for many years, MorphoSys has offered its employees various options in this regard, such as flexible working hours and special part-time options. Modern IT equipment also facilitates trouble-free working during business trips or on home office days. MorphoSys offers assistance to employees with families through special options for reentering their professional life and supports them in the coordination of work and family. MorphoSys is cofounder and sponsor of BioKids daycare in Martinsried, and there are special agreements with a German service provider offering additional services for employed family members.

MorphoSys is making every effort to protect employees from workplace hazards and to maintain their health through preventive measures. The extremely low number of accidents in the workplace proves the success of our strict monitoring of all occupational health and safety measures. In the reporting year, MorphoSys was able to reduce that number once again: only two occupational accidents (2012: three occupational accidents) occurred. Using policies and training courses from the Department of Health & Occupational Safety, and also by offering regular medical examinations, MorphoSys tries to keep the

number of accidents at this low level, and the safety and wellbeing of all employees at the highest level possible. The low level of absenteeism of MorphoSys's workforce underscores the success of the Company's efforts: During the year, absenteeism fell to 2.7 % (2012: 3.0 %). The employee turnover rate also declined in 2013 to 5.8 % (2012: 7.0 %). This is a further sign of the high level of employee identification with the Company.

Sustainability at MorphoSys

FIG. 6: OCCUPATIONAL SAFETY AT MORPHOSYS

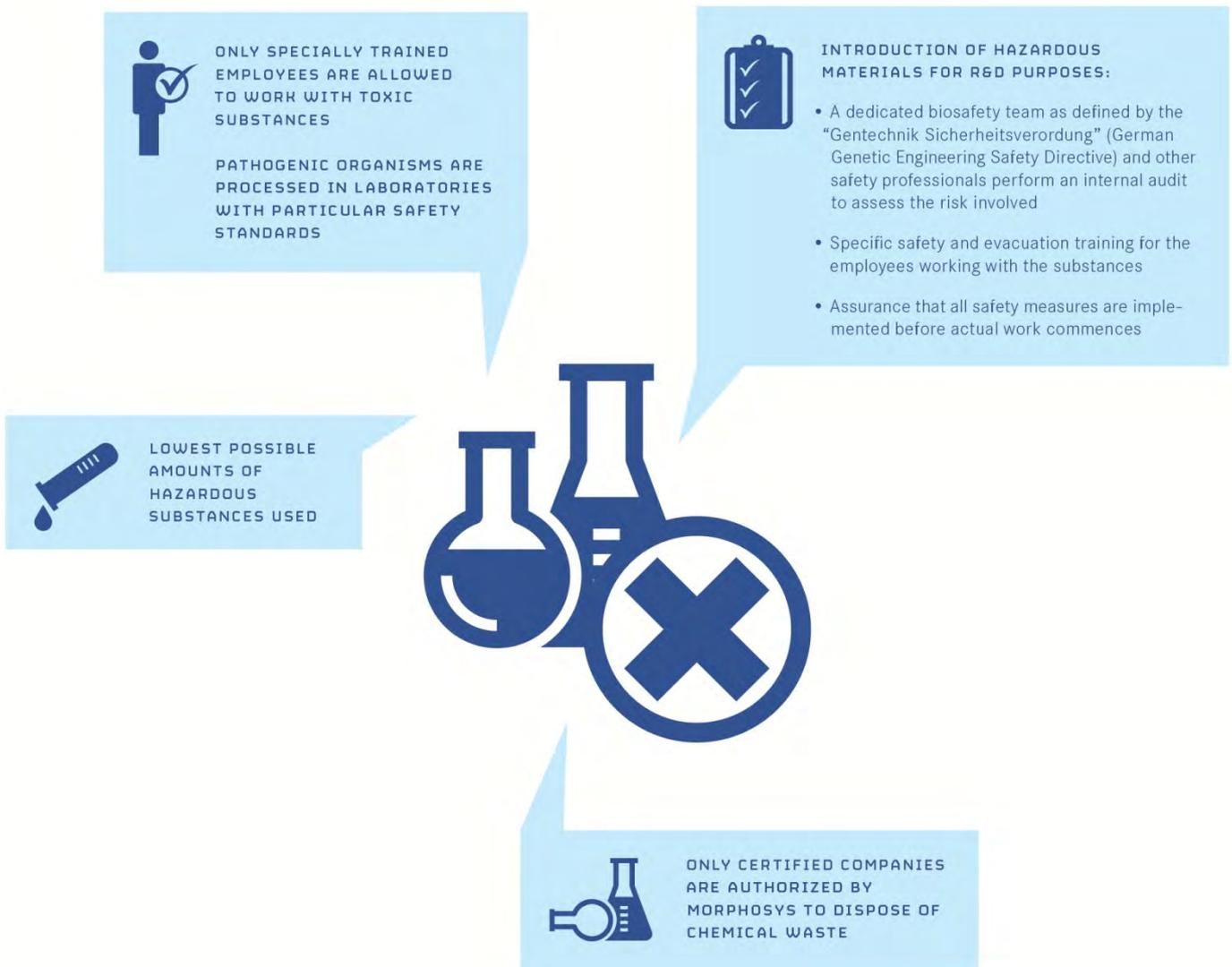


FIG. 7: QUALITY MANAGEMENT SYSTEM AT MORPHOSYS

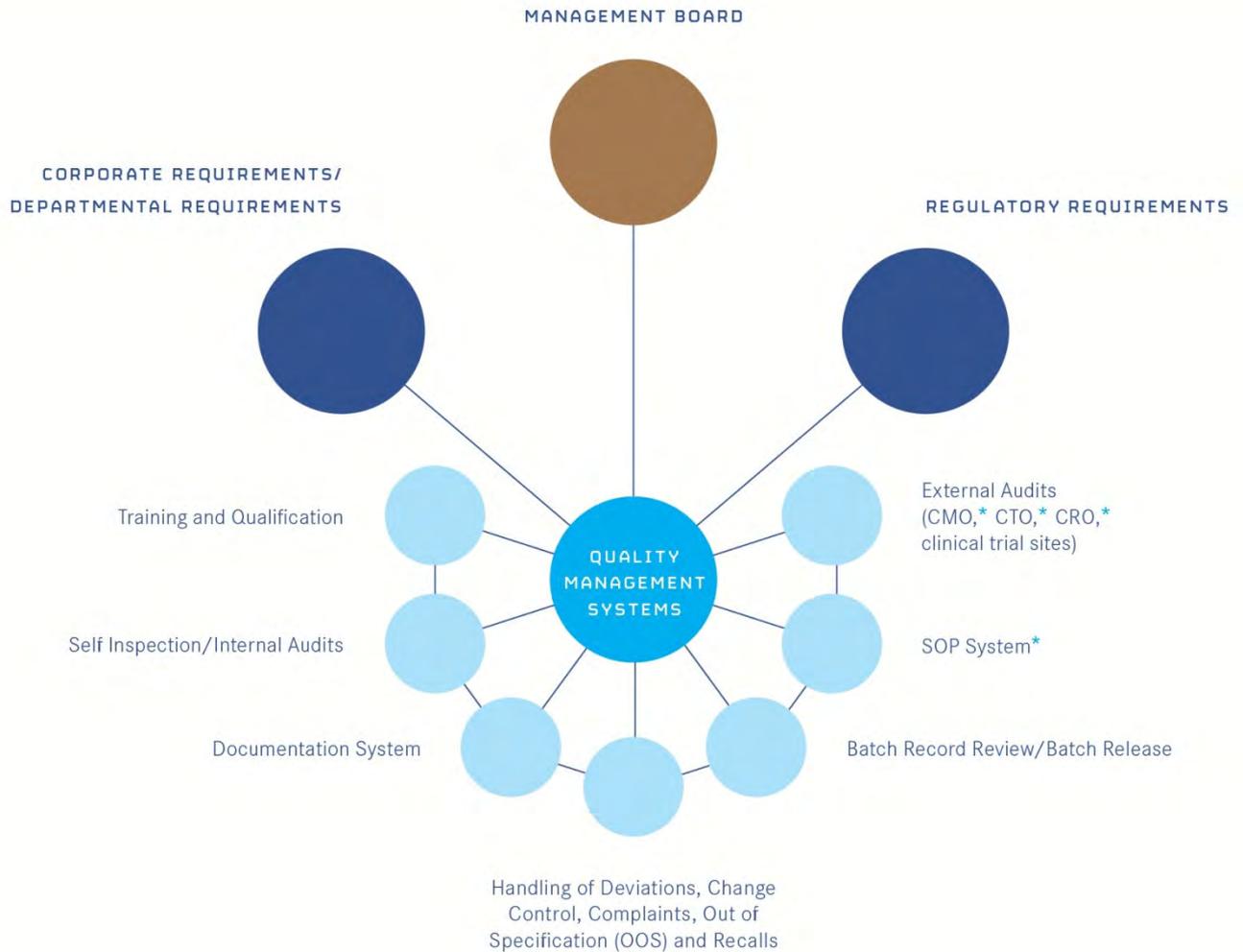
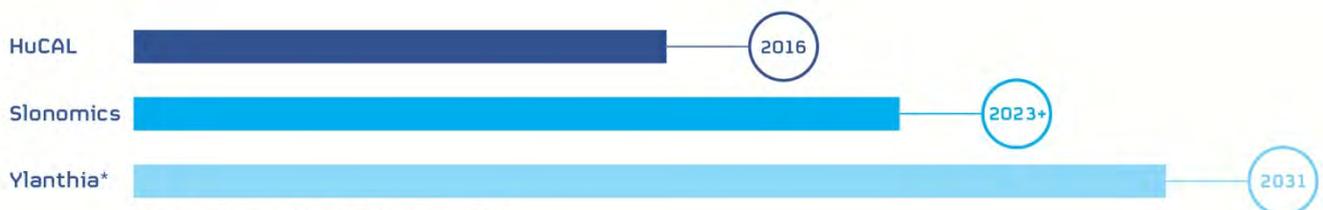


FIG. 8: PATENT LIFETIME FOR KEY PLATFORM TECHNOLOGIES



Risk and Opportunity Report

MorphoSys is part of an industry that is characterized by constant change and progress. The challenges and opportunities in the healthcare industry are influenced by very different factors. Global demographic changes, medical advances, and the desire for an increasing quality of life provide solid growth prospects for the pharmaceutical and biotechnology industries. However, increases in regulatory requirements in the areas of drug development and, in particular, the cost pressures on health systems must also be considered.

MorphoSys is making major efforts to systematically identify new opportunities and use them for its business success to increase the Company's long-term value. However, entrepreneurial success is not possible without consciously taking risks. Through its worldwide operations, MorphoSys is subject to a number of risks that can affect the course of business. The Company's risk management system identifies these risks, evaluates them, and takes the appropriate measures to prevent risks and to achieve the corporate goals. A regular review of the strategy ensures that opportunities and risks are well balanced. MorphoSys only assumes a risk if, simultaneously, an opportunity is offered to increase the company's value.

Risk Management System

The risk management system is a central component of MorphoSys's corporate management and serves to ensure the principles of good corporate governance and regulatory compliance.

MorphoSys has established a comprehensive system to identify, assess, communicate, and cope with risks in all areas of the Company. MorphoSys's risk management identifies risks at an early stage, allowing the appropriate action to limit operating losses and avoid risks that could jeopardize the Company's existence. All measures to mitigate a risk are assigned to individual risk managers who chiefly belong to the Senior Management Group of MorphoSys.

As part of a systematic risk assessment process, all significant risks are evaluated with regard to MorphoSys's various business units and with respect to the Company as a whole. Such risk assessments are carried out biannually. Risks are assessed by comparing their quantifiable impact on the MorphoSys AG with their probability of occurrence both with and without employing a damage mitigation process. This methodology is applied for an evaluation period of twelve months and a medium term of three years in order to include obligations under proprietary development having longer maturities. In addition, the expanded strategic risk assessment is based on a long-term period of more than three years. The strategic risk assessment process is described in the section titled "Expansion of the Risk and Opportunity Management System". An overview of the current risk assessment conducted by MorphoSys is presented in diagram 12.

In addition, in the past financial year the IT-based risks and opportunity management system introduced in the prior year was fully operational. This allowed risk officers to enter their risks on the Company-wide IT platform, which made monitoring, analysis, and documentation much easier. This risk management system differentiates between risk owners and risk managers. The risk owner is typically the responsible head of department. The respective employees of the department may be risk managers

if the risks captured by the risk management system fall within their area of responsibility. The risk owners and risk managers are asked to update their risks and the corresponding ratings in six month intervals. The accompanying process is coordinated and managed by the Corporate Finance & Corporate Development department, which also oversees the assessment process, summarizes the essential contents, and routinely reports it to the Management and Supervisory Boards. The entire assessment process is based on standardized forms and charts used for evaluation. Risk management and the monitoring of operations are carried out by the respective managers. Changes in the risk profile resulting from the measures are recorded in a regular cycle. A routine audit by external consultants ensures that the risk management system is continually evolving, so that it always complies with any changes.

Expansion of the Risk and Opportunity Management System

In the 2013 financial year, the existing risk and opportunity management system was enhanced in the field of strategic risks and opportunities by introducing a top-down approach. In addition to risk identification using the bottom-up method, which should identify short and medium-term risks, global strategic risks and opportunities will now be systematically identified in order to complete the picture of opportunities and risks. Examples of this were environmental and industry risks, personnel risks, and risks that may result from the public perception of the Company. For this occasion, a workshop has been introduced that involves select members of the Senior Management Group and in which strategic risks and opportunities across the various corporate divisions are recognized and discussed, even for a period of more than three years. The assessment is carried out qualitatively. Therefore these risks are not included in Figure 10. The workshop takes place twice a year at the same time as other risk gathering activities.

Principles of Risk and Opportunity Management

MorphoSys is always confronted with both risks and opportunities. This may cause a tangible impact on net assets and financial position as well as a direct influence on intangible assets, such as the Company's image within the industry or the Company's trademark.

MorphoSys defines risk as internal or external events having an immediate impact on the Company. Hereby, the potential financial impact on the Company's targets is assessed. Opportunities are in direct relation to risk. Seizing opportunities has a positive influence on the Company's targets and the occurrence of risks has a negative influence.

Responsibilities in the Risk and Opportunity Management System

The Management Board of MorphoSys AG is responsible for the risk and opportunity management system. The Management Board ensures that all opportunities and risks are presented, evaluated, and monitored in a comprehensive manner. The Department of Corporate Finance & Corporate Development coordinates the implementation of the measures and routinely reports to the Management Board. The

Supervisory Board has appointed the Audit Committee to monitor the effectiveness of the risk management system. The Audit Committee routinely reports the results to the entire Supervisory Board, which is informed additionally by the Management Board twice a year (see Fig. 9: The Risk and Opportunity Management System at MorphoSys).

Accounting-Related Internal Control System

MorphoSys uses extensive internal controls, Company-wide reporting guidelines, and other measures, including employee training and continuing education, with the aim of ensuring accurate bookkeeping and accounting as well as reliable financial reporting in the financial statements and the Management Report. This integral component of the Company's accounting comprises preventive, surveillance, and detection measures, which are intended to ensure the safety and control in accounting and in the operational functions. For more information on the internal control system in relation to financial reporting, please refer to the Corporate Governance Report.

Risks

RISK CATEGORIES

MorphoSys assigns the most important risks to the following six categories (see Fig. 10: Description of Major Risks at MorphoSys):

- Financial risks (for example, those resulting from bankruptcies and payment defaults, lower-than-anticipated and planned license fees, research funding and milestone payments as well as risks associated with any form of financing and financial instruments, such as cash investments, bank failures, currencies, interest rates, taxes, and debt collection).
- Operational risks (for example, procurement/production, distribution/logistics, customers, personnel and, with respect to the biotechnology industry, risks from the results of pre-clinical or clinical trials).
- Strategic risks (for example, M&A, interests in entities, R&D, corporate image, superior competing products, portfolio development).
- External risks (risks beyond the Company's control, such as economic, political, and legal risks as well as risks associated with companies in the biotechnology and pharmaceutical industry such as the protection of intellectual property and the regulatory environment when seeking the approval of new drugs).
- Organizational risks (such as IT risk, facilities management, succession planning, business interruption, process delays as a result of exaggerated complexity and an excessive number of projects).
- Compliance risks (for example, breach of US FDA and European EMA regulations, quality management policies, accounting standards, corporate governance, and breach of the German Stock Corporation Act).

FINANCIAL RISKS

Financial risk management at MorphoSys aims to limit financial risks and reconcile these risks with the requirements of our business activities.

Financial risks may arise within the context of licensing agreements, for example, when projects (products or technologies) are delayed or do not materialize, or are out-licensed to a different extent than planned. A corresponding risk also arises when revenue does not reach the level forecast or when costs are higher than budgeted due to higher resource requirements. Detailed project preparation, for example, through an intensive exchange with internal and external partners and consultants, ensures optimal positioning early in the process and thus represents an important measure for minimizing risk. Financial risks associated with the Company's proprietary programs were lowered considerably, in the course of the reporting year, through the successful introduction of MOR103 and MOR202 into partnerships. However, financial risks relating to the MOR208 program are retained by MorphoSys. In some cases, MorphoSys retains risks that relate to the clinical development of programs introduced into partnerships.

Due to the continually difficult European economic situation, the potential for bank insolvencies continues to present a financial risk. Therefore, as far as possible, MorphoSys continues to invest only in funds and products from banks, that are considered safe and have a consistently high rating, and/or are backed by a strong partner. Furthermore, the Company simulated different scenarios and then decided upon the appropriate contingency plans.

OPERATIONAL RISKS

Operational risks include risks related to the exploration and development of proprietary drug candidates, as well as those risks affiliated with the central Procurement and Logistics department. Personnel risks, such as the recruitment of suitable employees, or the loss of highly qualified and experienced employees, are also included in this category.

The failure of clinical trials - whereby the failure of a trial does not necessarily mean the failure of an entire program - prior to out-licensing to partners may arise if the trial data does not show the expected results or demonstrates unexpected adverse side effects. The design of clinical trials and development plans are always undertaken with the utmost care. This gives trials in the course of clinical testing the greatest chance to present clinically relevant data, and thus to convince regulatory agencies and potential partners. Next to the existing internal knowledge, external specialists are also involved. Special committees have been formed for monitoring the progress of clinical programs.

In terms of procurement and logistics, close cooperation with suppliers is maintained in order to avoid delivery delays, bottlenecks, and the resulting increase in costs. This is supported by a routine supplier assessment that identifies potential problems and determines solutions. These are then communicated both internally and externally to the respective managers responsible.

Personnel risks occur in the area of recruitment and in the event of the loss of so-called top performers. When recruiting, this is particularly evident in terms of the difficulty in finding candidates with appropriate qualifications. The loss of top performers occurs when experienced and highly-qualified employees resign. To counter such risks, the Company's human resources department seizes every opportunity - including collaborations with external organizations - to optimize the recruitment process. MorphoSys begins to search for suitable employees as early as possible. In addition, the Company's attractiveness as an employer with an open and innovative corporate culture is portrayed publicly through advertisements and at trade shows. Along with recruitment, staff retention represents one of the key elements of human resources management. Through continuous comparisons with industry-standard compensation systems, MorphoSys ensures that its employees are paid fairly and competitively. Moreover, appropriate salary components and employee interviews cater to a

performance-based incentive system and support the long-term aim of binding the employee to the Company. Corporate celebrations, team building activities, as well as sports and social events, also contribute to a positive work environment.

STRATEGIC RISKS

In the reporting year, MorphoSys took an expanded approach to compiling strategic risks for the first time. A detailed explanation may be found in the section titled "Expansion of the Risk and Opportunity Management System".

Strategic risks arise in the area of therapeutic molecules within the proprietary portfolio. The enhancement of the portfolio has become the key focus, once again, after MorphoSys was able to successfully bring two of the three existing proprietary programs into partnerships in the reporting year. In this context, risks can arise when there is a lack of access to attractive target molecules and compounds or to innovative technologies. These risks also apply to missed or failed M&A transactions that could create access to strategically important assets. To counter such risks, a multidisciplinary team was established whose task is to expand the Company's portfolio and identify suitable therapeutic molecules that can be in-licensed. A New Discovery team was also created. This team searches for suitable target molecules in order to develop new therapeutic molecules for proprietary or external technological platforms. In order to obtain long-term options to new technologies or therapeutic molecules, MorphoSys has additionally established the Innovation Capital program which invests venture capital in innovative start-up companies.

Another strategic risk is that in the distant future, therapeutic antibodies will no longer be competitive because of the existence of potentially better molecules or more favorable therapeutic approaches. This risk can also be classified as an industry risk. Again, through Innovation Capital, MorphoSys has created a suitable tool for identifying new trends at an early stage, so it can invest in these innovations, and thereby participate in their development. The Company's own scouting team is searching worldwide for new and innovative technologies and also analyzes MorphoSys's competitors at regular intervals.

EXTERNAL RISKS

For MorphoSys, external risks arise predominantly in relation to its intellectual property. Patent protection of MorphoSys's proprietary technologies is especially important. To mitigate the risks in this area, MorphoSys is continuously on the lookout for published patents and patent applications, the Company analyzes and monitors appropriate findings, and develops circumvention strategies for patents, that may potentially become relevant before they are issued.

By following this strategy, MorphoSys has achieved increasing success over the years and has been able to secure sufficient leeway over the long term for its proprietary technology platforms.

Another area in which external risks may occur, is the collaboration with service providers in pre-clinical and clinical development. A minor or bad performance in this area could lead to delays in the development process and thus to financial losses.

As a global biotechnology company with numerous partnerships and a proprietary research and development department for the development of drug candidates, the MorphoSys AG is exposed to numerous legal risks, particularly in the areas of patent law, liability claims arising from existing collaborations, competition and antitrust law, tax assessments and environmental matters. Future proceedings are conceivable but cannot be predicted at the moment. It is therefore possible that legal or

regulatory judgments or future settlements could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could significantly affect our revenues and earnings.

ORGANIZATIONAL RISKS

Organizational risks occur in the areas of Partnered Discovery, Technical Operations, and IT. In the Partnered Discovery area, loss of quality or delays may occur within the organization due to an increase in the number of programs or the complexity of programs. To reduce the complexity and thus the risks, uniform processes were introduced and their compliance is checked by regular audits.

Risks in Technical Operations affect operations and may lead to sustained damages and business interruptions, as well as accidents involving hazardous substances or pollutants. To avoid such disruptions, appropriate measures are taken, such as the routine inspection and maintenance of equipment and facilities, as well as training and tutorials for the employees concerned. Suitable electronic monitoring systems decrease such risks even further. Financial risks affecting this area are generally covered by insurance. Further information on MorphoSys's operating environment may be found in the Sustainability Report.

Business activities can be exposed to risks that result from failures of the IT infrastructure or IT security. These risks are managed using security copies created several times daily, as well as through the use of highly reliable firewall and antivirus scanning systems to ensure the safety and stability of the data. Additionally, MorphoSys minimizes the risks associated with the availability, reliability, and efficiency of its IT systems through continuous testing (for example, simulated, gradual hacker attacks), and updates of the software and hardware systems. The IT strategy is also reviewed and adjusted on an annual basis.

COMPLIANCE RISKS

Compliance risks may arise when quality standards are not met or business processes, from a legal standpoint, are not handled properly. To counter these risks, MorphoSys is committed to meeting the highest quality standards in its business operations, as set out in the Sustainability Report. To minimize risk, the system is also routinely reviewed by external experts and subjected to routine inspections by an internal, independent quality assurance department.

Specific risks could arise, for example, when the internal quality management system does not meet the legal requirements, or when there is a failure to implement internal systems for detecting quality defects. If internal controls are not able to detect guideline violations of the Good Manufacturing Practice (GMP), Good Clinical Practice (GCP), or Good Laboratory Practice (GLP), this would also constitute a compliance risk.

Annual General Meetings performed incorrectly could lead to legal disputes with shareholders. The consequences of this would cause significant costs by attempting to either avert a challenge of the Annual General Meeting or, if this is not possible, to repeat the Annual General Meeting. In addition, capital measures up for resolution (for example, a capital increase) could possibly be at risk.

To minimize this risk, the preparation and execution of the Annual General Meeting as well as all relevant documents and processes are closely monitored and examined both by the internal departments responsible, and by external lawyers and auditors.

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

The Management Board of the MorphoSys AG considers the risk to be appropriate overall and trusts the effectiveness of the risk management system with regard to the changes in the environment and the needs of the current business. It is the Management Board's view that the continued existence of the MorphoSys AG is not jeopardized. This assessment is based on a variety of factors which are summarized below:

- the MorphoSys AG has an exceptionally high equity ratio and has successfully confirmed its company objectives, as it has in the past;
- the Management Board is confident that MorphoSys is well positioned to cope with any adverse events which may occur;
- the Company has a broad portfolio of preclinical and clinical programs in partnerships with a number of large pharmaceutical companies, as well as a strong technological base for the further expansion of the proprietary portfolio.

Opportunities

Leading antibody technologies, 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. Because this therapeutic class of molecules is now one of the most successful and best-selling drugs in cancer therapy, a significant number of pharmaceutical and biotechnology companies are active in the field of antibodies who could become future customers and partners for MorphoSys's products and technologies. Due to this fact, and because of its long-standing expertise in the field of technology and product development, MorphoSys has identified a number of growth opportunities for the years to come.

For the development and optimization of therapeutic antibody candidates, MorphoSys's antibody technologies offer crucial advantages that can lead to higher success rates and shorter development times in the drug development process. The transfer and the application of MorphoSys's core areas of expertise, also outside of the antibody segment, present the Company with new opportunities because many classes of compounds are similar in their molecular structure. The Innovation Capital initiative can seize opportunities which were previously unavailable, whereby MorphoSys can act as a strategic investor in young, innovative companies and thus effectively use synergies.

OPPORTUNITY MANAGEMENT SYSTEM

The opportunity management system is an important part of corporate governance at MorphoSys. It serves to identify opportunities at an early stage and to generate added value for the Company.

Opportunity management relies on four pillars:

- a routine discussion forum of the Management Board and selected members of the Senior Management Group;
- the business development activities of the Company;
- a Technology Scouting team; and
- the Innovation Capital initiative.

During the discussion forums, selected opportunities are discussed and, where applicable, actions are agreed upon for seizing these opportunities. The meetings and their results are recorded in detail and further actions are examined and monitored. The Company's Business Development team has participated in numerous conferences and identified various opportunities that can contribute to the Company's growth. These are presented in the discussion forum and assessed through evaluation processes. The Technology Scouting team seeks to identify innovative technologies that can generate synergies with the technological infrastructure of MorphoSys and that are suitable for the identification of new therapeutic molecules. These results are also discussed and evaluated by internal committees existing across all departments. The Innovation Capital initiative, which has already been described, also allows MorphoSys to participate in early innovations and utilize these for the benefit of the Company in the future. An established opportunity evaluation process ensures a qualitative and reproducible assessment of opportunities.

GENERAL STATEMENT ON OPPORTUNITIES

Increased life expectancy in industrialized countries and the changing income situation and lifestyle in emerging countries are expected to drive demand for additional and innovative treatment options and advanced technologies. Scientific and medical progress have led to a better understanding of the biological processes of disease, which in turn leads to 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. In addition, therapeutic compounds based on proteins – also known as biological compounds or biologics – are threatened less by competition from generics than chemically produced molecules because the production of biological compounds is far more complex. Therefore, the demand for antibodies and the interest in this category of drugs have risen sharply over the past 36 months as demonstrated by the various acquisitions and significant licensing agreements in this field.

MARKET OPPORTUNITIES

MorphoSys believes that its HuCAL, Ylanthia, and Slonomics antibody platforms can be used to develop products that address considerable, unmet medical needs.

THERAPEUTIC ANTIBODIES – PARTNERED DISCOVERY

By cooperating with numerous partner companies in drug development, MorphoSys has been able to more widely diversify the risk that is inextricably linked to the development of individual drugs. With more than 70 unique therapeutic antibodies currently in development programs with partners, the chances are ever higher for MorphoSys to participate financially in the marketing of drugs. In 2013, already two antibodies are in clinical phase 3. In the case of positive clinical trial results, regulatory approval could be conceivable in the near future. Partner Novartis has announced that an application for the regulatory approval of the bimagrumab antibody may be submitted in 2016.

MorphoSys will continue to expand its partnered antibody pipeline. In addition, MorphoSys may enter into further partnerships on a fee basis.

THERAPEUTIC ANTIBODIES – PROPRIETARY DEVELOPMENT

The pharmaceutical industry is likely to further intensify its in-licensing of new compounds in order to refuel its pipelines and replace previous key products and revenue generators that have lost their patent protection. With its most advanced compounds MOR103, MOR202, and MOR208, MorphoSys is in a good position to capitalize on the needs of the pharmaceutical groups. The alliances for MOR103 and MOR202, which have been started successfully in 2013, underline this position.

The proceeds secured over the coming years from the Partnered Discovery segment place MorphoSys in a position to continually strengthen its proprietary portfolio. MorphoSys is expanding its proprietary portfolio through additional clinical trials with its key drug candidates, with which, for example, new areas of disease can be investigated. MorphoSys plans to add programs to its portfolio and may take advantage of existing and future co-development opportunities to do this. Furthermore, the Company is seeking opportunities to in-license interesting drug candidates.

The co-operation with Celgene for MOR202 could, for the first time, open the chance for MorphoSys to bring a drug to market.

TECHNOLOGY DEVELOPMENT

MorphoSys continues to invest in its existing and new technologies in order to maintain its top position as a technological leader. Through Ylanthia, MorphoSys has established a new technology platform, which, unlike its predecessor HuCAL, is available for broader licensing to different partners. In 2012, MorphoSys began with the commercialization of the Ylanthia antibody library.

Technological advances of this kind put the Company in a position to expand its list of partners and not only increase the speed, but also the success rate of partnered and proprietary drug development programs. New technology modules could also open up new areas of disease, where antibody-based treatments are still underrepresented, by allowing the production of antibodies for new classes of target molecules.

The development of technologies is driven by a team of scientists who concentrate on the further development of MorphoSys technologies. In addition to in-house technology development, MorphoSys also relies on external sources to strengthen its technological capacities. The cooperation and equity investment in Lanthio Pharma, a Dutch company dealing with the development of lantipeptides, is a good example of such activities.

ACQUISITION OPPORTUNITIES

In the past, MorphoSys has proven its ability to make acquisitions and use these to accelerate its growth. Potential acquisition candidates are systematically presented, discussed, and evaluated within the scope of the routine meetings of the Management Board and members of the Senior Management Group already described. Subsequent to these meetings, promising candidates are examined for strategic synergies and evaluated by an internal specialist committee. Protocols are completed on all candidates and assessments, and are then systematically archived for observation and follow-up. A proprietary database helps in administering this information and keeping it available.

MorphoSys plans to continue to drive its strategy forward in the new year to expand its market share, complement its existing portfolio and technology platform, and to secure access to patents and licenses for the development of new proprietary technologies and products.

FINANCIAL OPPORTUNITIES

Favorable exchange rate and interest rate developments can have a positive effect on the Company's financial results. The developments in the interest rate and financial markets are continuously monitored in order to immediately identify and utilize any opportunities.

Risk and Opportunity Management at a Glance

FIG. 9: RISK AND OPPORTUNITY MANAGEMENT SYSTEM AT MORPHOSYS

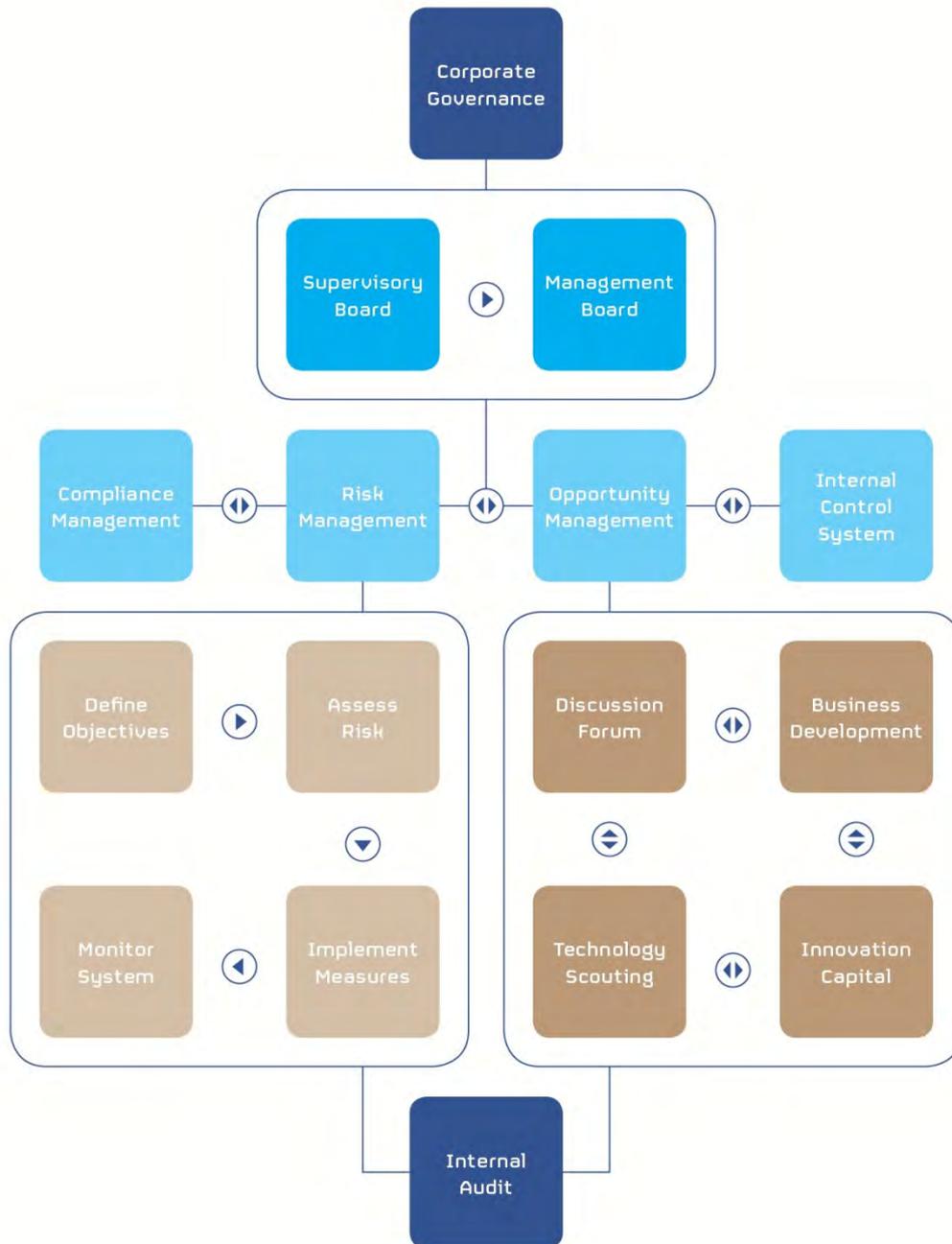


FIG. 10A: DESCRIPTION OF MAJOR RISKS AT MORPHOSYS (QUANTIFICATION IN POINTS, DEFINITION OF COLOR CODE ON NEXT PAGE "SCORING SYSTEM IN POINTS")

FINANCIAL RISKS



OPERATIVE RISKS



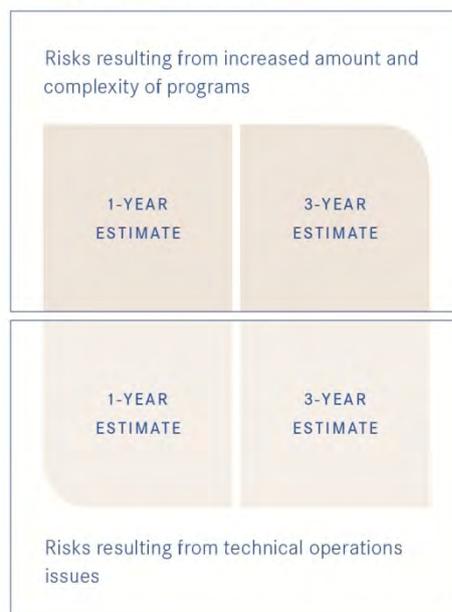
STRATEGIC RISKS



EXTERNAL RISKS



ORGANIZATIONAL RISKS



COMPLIANCE RISKS

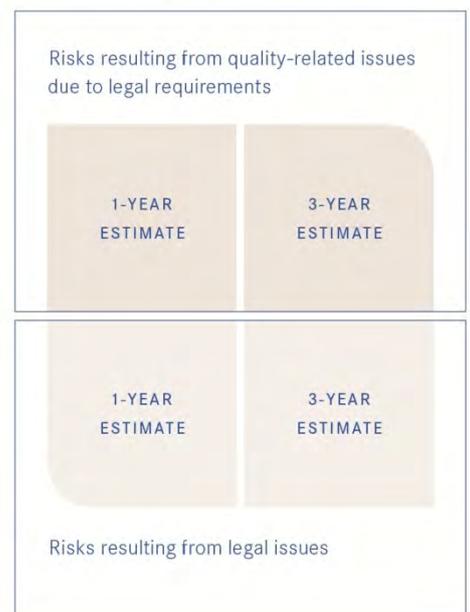
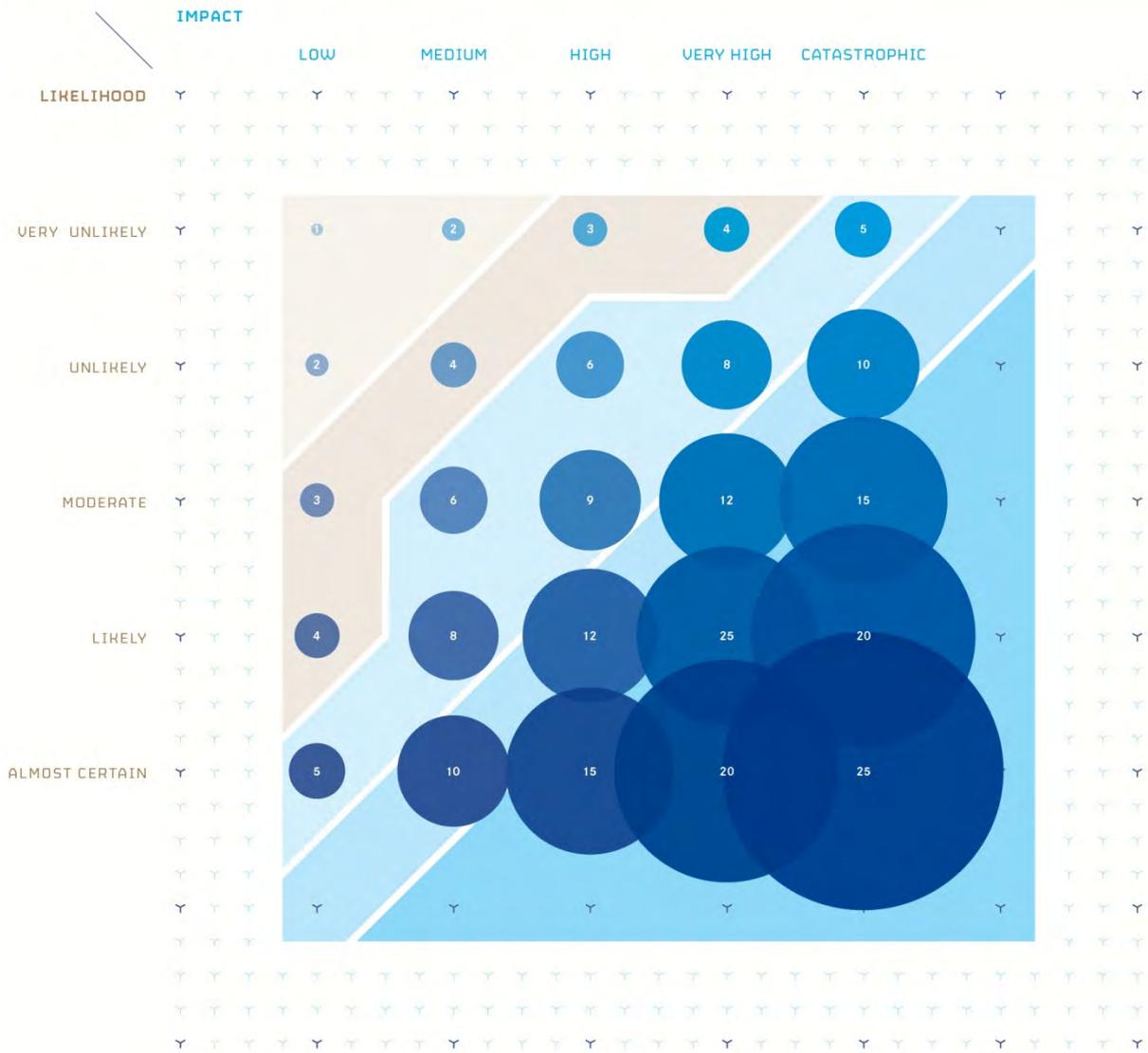


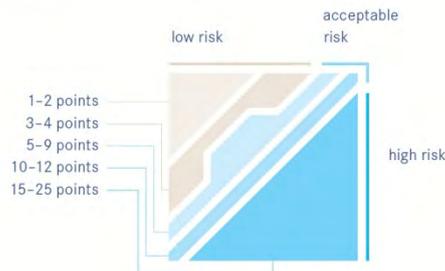
FIG. 10B: SCORING SYSTEM IN POINTS



CALCULATION OF POINTS
 Impact x Likelihood = Points



SCORING



Risks valued at 1 to 4 points represent a **low risk** (low probability, minor effects).

Risks valued at 5 to 12 points represent **acceptable risks** (medium probability, moderately severe effects).

For risks valued at 15 to 25 points, **risk minimization measures** must be implemented (high probability, severe effects).

Subsequent Events

On 22 January 2014 an updated statutory share capital was entered in the Commercial Register (Handelsregister B München). The new share capital at 22 January 2014 amounts to € 26,220,882.00, divided into 26,220,882 no-par value bearer shares.

In March 2014, the Company will carry out a share buy-back program. On the basis of the authorization of the Annual General Meeting on 19 May 2011, up to 111,000 own shares shall be repurchased over the stock market. The Company intends to use the shares for its long-term incentive programs for its Management Board and the Senior Management Group, but the shares can also be used for all other legally permitted purposes stated in the authorization of the Annual General Meeting of 2011.

No further significant changes took place after the conclusion of the 2013 financial year. Other events with a significant effect on the net assets, financial position and results of operations also did not occur after the conclusion of the financial year.

Outlook and Forecast

The MorphoSys AG develops new antibody drugs and technologies. Through the sale of the research antibody segment, AbD Serotec, in early 2013, MorphoSys has strengthened its focus on the development of therapeutic compounds. The out-licensing of MOR103 and the alliance for MOR202 in 2013 affirm the potential for the appreciation in value this strategic direction can bring.

The management of MorphoSys intends to further expand its portfolio of proprietary drug candidates and will invest in this area accordingly. In addition, MorphoSys will continue to focus on the use and expansion of its technologies in fast-growing areas of the healthcare sector driven by innovation.

Overall Statement On Expected Development

The strategic focus of MorphoSys lies in the development of a broad and sustainable pipeline of innovative drug candidates, both on a proprietary basis and with partners. This foundation is formed by established and proven technologies, and the Company continues to invest in their development. In the therapeutic area, the commercialization of these technologies provides cash flows secured by contracts from long-term partnerships with large pharmaceutical companies. Additionally, MorphoSys profits from the successful development of drug candidates, not only through milestone payments, but also through royalties from product sales as soon as the drugs reach the market.

The Company's stable cash flows and strong liquidity make it possible to expand business activities through investment in the proprietary development of drugs and technologies. In the year 2014, the Management Board expects the following developments:

- MorphoSys will expand its proprietary portfolio through in-licensing, company acquisitions and/or development collaborations, as well as through new developments;

- MorphoSys will continue to invest in technology development in order to maintain its top position in the field of antibodies and related technologies. The Company expects to sign new strategic agreements on the basis of the Slonomics and Ylanthia proprietary technologies, in order to, for example, obtain access to innovative target molecules and compounds;
- the demand for antibodies for use in new methods of treatment continues to remain high and allows the Company to continue to expand its pipeline of therapeutic antibodies within its partnerships;
- the pharmaceutical industry continues to use the in-licensing of compounds to gain access to promising product candidates. Successful out-licensing of proprietary drug candidates could result in lucrative cash flows.

Strategic Outlook

MorphoSys's business model is based on its proprietary technologies, including the HuCAL antibody library, the Slonomics platform, the Ylanthia antibody library, as well as the Company's ability to develop innovative drug candidates.

The Partnered Discovery segment generates cash flows secured by contracts based on long-term collaborations. The development of therapeutic antibodies within partnerships will remain a central pillar of MorphoSys's strategy. The therapeutic pipeline should continue to grow and mature in the years to come and lead to further milestone payments. The broad pipeline promises an impressive number of market-ready, therapeutic antibodies in the coming years and consequently financial participation in the form of royalty payments from product sales.

In the Proprietary Development segment, MorphoSys is developing therapeutic antibodies in the area of inflammatory disease and oncology on a proprietary basis. MorphoSys will consider entering into alliances for the further development of its proprietary candidates on a case-by-case basis. Under certain conditions, individual projects could also be developed in-house for an extended period of time, possibly even up to the point where they are marketable. At the end of 2013, the MOR103, MOR202, and MOR208 clinical programs were the main assets in MorphoSys's proprietary development portfolio. Agreements were announced in the 2013 financial year for MOR202 and MOR103. Currently, the Company is not seeking a partner for MOR208 but prefers to continue with the further clinical development on a proprietary basis.

In the foreseeable future, MorphoSys will invest the majority of its financial resources in its own research and development in order to expand its portfolio of proprietary compound candidates and strengthen its technology platform.

Expected Economic Development

The global economy is expected to experience subdued growth in the year 2014. The crisis countries in the eurozone, such as Spain, which have already undergone far-reaching reforms, should see the benefits of their efforts. Other countries, however, threaten to fall further behind, causing the euro area as a whole to see only a slow recovery from the severe recession. According to the estimates of financial analysts, the ECB may possibly ease monetary policy even further.

Under a new federal government in Germany, with the large coalition comprising the CSU/CDU and SPD, the labor market reforms of the Agenda 2010 are likely to be scaled back, which could have a negative impact on the country's long-term economic growth. Nonetheless, the German economy will stand out as the top growth gainer of the eurozone since the low ECB interest rate of currently 0.25 % is likely to fan the domestic economy. According to estimates, companies will increase their investments again and exports will benefit from the somewhat stronger demand from other eurozone countries. For 2014, analysts expect growth of 1.7 %.

The US was able to strengthen its economic equilibrium in the past year. The real estate bubble lost its steam, continuous improvement in the labor market is set to strengthen private consumption, and the government budget deficit could be vastly reduced despite precarious discussions. This should lead to economic growth of about 2.8 % in 2014, according to estimates by financial experts of Commerzbank.

Asia is also expected to have strong growth in 2014. Despite a planned increase in sales tax, Japan is expected to have stable growth and a continued loose monetary policy of the central bank. The Chinese economy is expected to grow 7.5 % in 2014 – similar to the rate in 2013. Owing to a far-reaching reform program approved at the end of the year, experts expect China's growth to prove to be very stable.

Fairly rapid growth for the world economy as a whole is expected in 2014. However, the OECD has lowered their forecasts in response to the braking effect of emerging economies, which provided additional tensions in the markets as well as capital outflows. The OECD now expects global GDP growth of 3.6 %.

Expected Development of the Life Sciences Sector

Historically, the pharmaceutical and healthcare industries have been relatively immune to economic downturns. An aging population in the developed nations and rising living standards in the former developing countries call for new and innovative treatments. However, the government budgets' need for drastic cost-cutting measures have led to upheavals in the international health system. These have a direct impact on reimbursement policies and, accordingly, on pharmaceutical companies. The patent expiry of high-revenues drugs continues to pose a problem for the pharmaceutical industry, whereby the lion's share of patent expirations has probably been overcome. However, pharmaceutical companies still suffer from a lack of innovation and a lack of new products.

The outlook for the biotechnology industry is still very favorable. Pharmaceutical companies are still willing to invest large sums in the development of innovative and promising product candidates by in-licensing of such programs from biotechnology companies.

The impact of the enacted Patient Protection and Affordable Care Act on the US healthcare industry is not yet quantifiable. As of 1 January 2014, every American must obtain health insurance. According to media reports, approximately three million new health insurance contracts were concluded in the first weeks following the healthcare reform. A study by IMS Health predicts that this broad access to health services in combination with lower patent expirations in 2014 will lead to higher spending on US healthcare.

Expected Business Development

With the contractually guaranteed proceeds from the Novartis agreement until at least the end of 2017, the financial impact of the contract with Celgene, and new commercial opportunities through proprietary technology platforms such as Slonomics and Ylanthia, MorphoSys will continue to focus on expanding its partnered pipeline and increasing the value of its proprietary portfolio.

In the Partnered Discovery segment, for the next few years, the Company expects to be able to start close to ten new partner programs annually on average. However, due to the attrition rates in drug development, the net growth of the overall pipeline will be somewhat lower. Additional partnerships with pharmaceutical and biotechnology companies based on the Ylanthia technology are expected to occur. These partnerships are intended to provide the additional benefit of access to new target molecules and therapeutic programs.

In June 2013, MOR103 was out-licensed to GlaxoSmithKline (GSK). The phase 1b trial in patients with multiple sclerosis, which has already started, will be completed by MorphoSys and the results will be presented in the first half of 2014. Thereafter, GSK will assume further development of the compound.

In June 2013, a strategic alliance was concluded with Celgene for MOR202. Currently, a joint development plan for the compound is being completed. MorphoSys and Celgene share the global development costs at a ratio of one third to two thirds. Upon successful development of MOR202, MorphoSys has secured the option to commercialize the drug together with Celgene in Europe.

For the time being, MorphoSys will continue to develop MOR208 in-house. Decisions on a possible partnering or out-licensing of the compound will be based on the clinical results as well as on the developments in the market for this class of blood cancer drugs.

The approval of a therapeutic antibody on the basis of proprietary technology is not expected before 2016/2017. As one of the first partners, Novartis has announced publicly that the therapeutic antibody bimagrumab (BYM338) could be submitted for approval in 2016. Guselkumab (CNTO1959), an antibody compound being developed by Janssen, may also enter the market in 2016/2017.

Expected Personnel Development

The Company's workforce in the two segments Partnered Discovery and Proprietary Development should remain at approximately the same level as in the the 2013 financial year. The need for additional personnel could arise through entering into new development collaborations or from the in-licensing of new technologies or development candidates.

Future Research and Development

The Company's R&D budget for proprietary drug development will rise significantly in 2014 compared to the previous year. The majority of these investments will flow to the clinical development of the most advanced drug candidates. Further investments are planned in the areas of target validation and antibody development as well as in the area of technology development.

The steps planned for the Company's proprietary portfolio in 2014 are expected to include:

- completion of the phase 1b safety study in multiple sclerosis for MOR103 as the second indication;
- completion of the ongoing phase 1/2a trial for MOR202 in multiple myeloma;
- initiation of new trials within the partnership with Celgene for MOR202;
- continuation of two phase 2 clinical trials for MOR208 in NHL and B -ALL;
- continuation of the joint development programs with Galapagos;
- in-licensing of one or more target molecules or compounds for strengthening the proprietary development portfolio;
- cooperation with Lanthio Pharma for creating high-quality and highly diverse lantipeptide libraries;
- initiation of de novo discovery programs.

Expected Development of the Financial Position and Liquidity

MorphoSys has a solid financial base and predictable revenues, mainly due to its collaboration with Novartis. In the 2013 financial year, two compound candidates were brought into partnerships leading to revenues, and licensing fees were recognized in relation to the sale of the AbD Serotec business. After this operationally very positive year, the Management Board expects revenues of € 56 million to € 61 million in 2014.

The Partnered Discovery segment is a highly profitable business unit. Until the end of 2017, the Company will receive contractually secured cash flows, particularly from the agreement with Novartis.

The Proprietary Development segment is expected to incur a loss in 2014 following the successful, revenue-generating contracts for two proprietary programs. This will occur as a result of intensive investment in the development of the proprietary drug candidate MOR208, as well as from pro-rated investments in MOR202's development in collaboration with Celgene. Furthermore, MorphoSys is planning to use its financial resources to strengthen the proprietary portfolio, through the identification and development of further product candidates and also through potential in-licensing and acquisition of interesting product candidates.

Based on the management's current forecasts, the R&D expenses for proprietary programs and technology development are expected to be in the range of € 36 million to € 41 million. MorphoSys intends to conclude the MOR103 trial in multiple sclerosis (MS), as well as continue the MOR202 trial with Celgene in multiple myeloma. The Company will also continue the phase 2 clinical trials of MOR208 in acute B-cell lymphocytic leukemia (B-ALL) and non-Hodgkin's lymphoma (NHL). In addition, the Company plans to in-license one or more drug candidates in the years that follow. The financial guidance for 2014 does not include additional development expenses for any newly in-licensed program.

The Company expects a result from ordinary activities in the range of approximately € - 11 million to € - 16 million in 2014.

In the coming years, non-recurring events will have an increasing impact on the net assets and financial position, as was clearly seen in the year 2013. Such non-recurring events may include the out-licensing of proprietary products and larger milestone payments and royalties related to the achievement of market maturity of partnered HuCAL antibodies. Such events could again lead to substantially

surpassing our financial targets. Similarly, failures in drug development can have negative consequences for MorphoSys. In the near future, revenue growth will depend on the Company's ability to enter into new partnerships, and / or out-license proprietary programs. Medium term, royalties on marketed products could contribute to revenue growth.

At the end of the 2013 financial year, the liquidity position of MorphoSys amounted to € 373.0 million (31 December 2012: € 114.0 million, including an interest bearing and transferable loan of € 10.0 million). The significant strengthening of the liquidity position is a result of the sale of MorphoSys's business unit AbD Serotec, the license agreements with GSK and Celgene, and a successful capital increase in September 2013. MorphoSys sees its strong liquidity position as an advantage that can be used for strategic measures such as the in-licensing of compounds and participation in promising companies to accelerate its future growth. Furthermore, the liquid funds could be used for more investment in the Company's proprietary portfolio of therapeutic antibodies.

DIVIDENDS

In its financial statements according to German accounting principles, MorphoSys AG reports an accumulated profit, which could be used for distribution. Nevertheless, in line with the current practice in the biotechnology industry, MorphoSys does not anticipate paying a dividend in the foreseeable future. To continue to create shareholder value and provide new growth opportunities for the Company, our profits are reinvested to a large extent in operating activities – primarily in the development of proprietary drugs. As in 2013, the Company intends to repurchase treasury shares through the stock exchange in 2014. The treasury shares can be used for the long-term incentive programs for the Management Board and the Senior Management Group and for all other legally permitted purposes.

This outlook is based on the assumptions of the Management Board and takes into account all factors that were known at the date when this annual report was prepared and that could affect our business in 2014 and the years that follow. Future results may differ materially from expectations, which are described in the section "Outlook and Forecast". The most important risks are discussed in the risk report.

Statement on Corporate Governance and Corporate Governance Report

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

Statement on Corporate Governance Pursuant to Sec. 289a of the German Commercial Code (HGB) for the 2013 Financial Year

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

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

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

1. Since the last Declaration of Conformity on 7 December 2012, MorphoSys AG has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" – with the exceptions described below under item no. 4. – in the Code version dated 15 May 2012.
2. On 13 May 2013, the "Government Commission on the German Corporate Governance Code" submitted a new version of the Code. MorphoSys AG has also complied with the recommendations of this new version of the Code – with the exceptions described below under item no. 4.
3. MorphoSys AG will continue to comply with the recommendations of the "Government Commission on the German Corporate Governance Code" in the Code version dated 13 May 2013 – with the exceptions described below under item no. 4.
4. Exceptions:
 - Remuneration of Management Board members does not provide for a cap, neither overall nor for individual compensation components (see item 4.2.3 Para. 2 Sentence 6 of the Code). In view of existing limitation possibilities of the Supervisory Board concerning the variable components of the Management Board and of its annual allocation, the Supervisory Board does not believe that an additional cap is required.

- The Supervisory Board has refrained from full application of the recommendations of item 5.4.1 Para. 2 and Para. 3 Sentence 1 of the Code. Pursuant to item 5.4.1 Para. 2, the Supervisory Board shall specify concrete objectives regarding its composition, which in particular shall stipulate an appropriate degree of female representation. According to item 5.4.1 Para. 3 Sentence 1, proposals by the Supervisory Board to the competent election bodies shall take these objectives into account. The Supervisory Board has determined concrete objectives regarding its composition and thereby has also decided to strive for an adequate representation of women on the Supervisory Board. A concrete quota for female members of the Supervisory Board has not been provided. However, the qualification and not the gender should be the decisive criteria in the individual cases for appointment to the Supervisory Board.

Martinsried/Planegg, 6 December 2013

MorphoSys AG

For the Management Board:

For the Supervisory Board:

Dr. Simon Moroney

Dr. Gerald Möller

Chief Executive Officer

Chairman of the Supervisory Board

RELEVANT INFORMATION ON CORPORATE GOVERNANCE PRACTICES

MorphoSys ensures compliance with the laws and rules of conduct, especially through the use of a Company-wide Code of Conduct, as well as through supplementary internal guidelines. MorphoSys's "Code of Conduct" sets out the fundamental principles and key policies and practices for behavior in business. The Code serves as a valuable tool for employees and management staff particularly in business, legal, and ethical situations of conflict.

In addition, the Code of Conduct strengthens transparency and consistent management principles as well as the strengthening the trust in the Company of the financial markets, business partners, employees, and the public. Compliance with the Code of Conduct is carefully monitored. The Company-wide implementation of the Code is accompanied by the Code of Conduct Committee. The Code of Conduct can be downloaded from the internet at Media & Investors > Corporate Governance.

COMPOSITION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

MANAGEMENT BOARD

The Management Board of MorphoSys AG consists of the Chief Executive Officer and three other members. In the schedule of responsibilities, the various areas of responsibility are defined as follows:

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

SUPERVISORY BOARD

As of 31 December 2013, the Supervisory Board of MorphoSys AG consisted of six members, who oversee and advise the Management Board. The present Supervisory Board consists of professionally qualified members representing the shareholders of MorphoSys AG. Dr. Gerald Möller, acting as Chairman of the Supervisory Board, coordinates the Board's work, chairs the Supervisory Board meetings, and represents the concerns of the Supervisory Board externally. All members of the Supervisory Board are independent in the meaning of the Code and possess many years of experience in the biotechnology and pharmaceutical industries. They are duly elected by the shareholders in the course of the Annual General Meeting. The Chairman of the Supervisory Board is not a former member of the Management Board of MorphoSys AG.

The precise composition of the Supervisory Board and its committees is contained in the following table.

TAB. 11: COMPOSITION OF THE SUPERVISORY BOARD

	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	2014			
Dr. Daniel Camus 	Member	2002	2015			
Dr. Marc Cluzel	Member	2012	2015			
Karin Eastham 	Member	2012	2015		 **	

* Period ends with termination of Annual General Meeting

** Since 30 July 2013.

 Independent Financial Expert  Chairman  Member

TAB. 12: PARTICIPATION OF SUPERVISORY BOARD MEMBERS

SUPERVISORY BOARD MEETINGS

Name	by phone		by phone			by phone	by phone	Offsite Meeting		
	01/16 2013	02/26 2013	03/21 2013	06/03 2013	07/30 2013	08/10 2013	09/18-19 2013	10/14-15 2013	11/05 2013	12/18 2013
Dr. Gerald Möller	X	X	X	X	X	X	X	X	X	X
Dr. Geoffrey Vernon	X	X	X	X	by phone	X	X	X	X	by phone
Dr. Walter Blättler	-	X	X	X	X	X	X	X	X	X
Dr. Daniel Camus	X	X	X	X	by phone	X	X	X	X	X
Dr. Marc Cluzel	X	X	X	X	X	X	X	X	X	X
Karin Eastham	X	X	X	X	X	X	X	X	X	X

MEETINGS OF THE AUDIT COMMITTEE

Name	02/26/2013	by phone 03/21/2013	by phone 05/02/2013	07/30/2013	11/05/2013	12/18/2013
Dr. Daniel Camus	X	X	X	by phone	X	X
Karin Eastham	X	X	X	X	X	X
Dr. Geoffrey Vernon	X	X	X	by phone	X	by phone

MEETINGS OF THE REMUNERATION AND NOMINATION COMMITTEE

Name	02/26/2013	06/03/2013	07/30/2013	11/05/2013	12/18/2013
Dr. Gerald Möller	X	X	X	X	X
Dr. Marc Cluzel	X	X	X	X	X
Karin Eastham (Member since July 2013)			X	X	X

MEETING OF THE SCIENCE AND TECHNOLOGY COMMITTEE

Name	02/26/2013	06/03/2013	07/30/2013	11/05/2013	12/18/2013
Dr. Walter Blättler	X	X	X	X	X
Dr. Marc Cluzel	X	X	X	X	X

WORKING PRACTICES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

To ensure good corporate governance, open and complete information on a routine basis is a guiding principle for the cooperation of the Management Board and Supervisory Board of MorphoSys AG. The dual management system required by the German Stock Corporation Act, explicitly differentiates between the management and the supervision of a company. The responsibilities of both boards are clearly defined by the legislator and by the Boards' bylaws and the Articles of Association. MorphoSys AG's Management and Supervisory Boards work closely together and act and make decisions for the benefit of the Company. Their stated objective is the sustainable increase in the Company's value.

Each Management Board member has their own area of responsibility, which is defined in the schedule of responsibilities. Each member reports regularly on their respective area of responsibility to their Management Board colleagues. The collaboration of Management Board members is governed by the bylaws. Both, the schedule of responsibilities and the bylaws were enacted by the Supervisory Board. The meetings of the Management Board typically take place once a week and are chaired by the Chief Executive Officer. At the meetings, resolutions related to actions and transactions are passed that, under the rules of procedure, require the approval of the entire Management Board. In order to pass resolutions, at least half of the members of the Management Board must participate in the vote. Resolutions of the Management Board are passed by a simple majority. In the event of a tied vote, the vote of the Chief Executive Officer decides. In the case of significant events, each member of the Management Board or the Supervisory Board may convene an extraordinary meeting of the Management Board as a whole. Resolutions of the Management Board may also be passed outside of its meetings by voting verbally, by telephone, or in writing (including email). A written record is made of each meeting of the full Management Board. This protocol is then submitted for approval at the subsequent meeting of the full Management Board and signed by the Chief Executive Officer.

In addition to the regular Management Board meetings, a Management Board strategy workshop is held annually. In this workshop, the Management Board prioritizes the strategic objectives across the Company and develops the future strategy.

The Management Board informs the Supervisory Board with respect to planning, business development, and the position of the Company, including risk management and compliance issues, in a timely and comprehensive manner in writing as well as at the Supervisory Board meetings. An extraordinary meeting of the Supervisory Board shall be convened if necessary in case of a material event. The Management Board involves the Supervisory Board in the strategy and planning, as well as in all decisions of fundamental importance for the Company. In addition to the regular Supervisory Board meetings, a further strategy meeting between the Management Board and the Supervisory Board is held annually, in which the strategic orientation of MorphoSys is discussed in particular. The Management Board's rules of procedure set out that important business transactions are subject to the agreement of the Supervisory Board. Further information on the collaboration between the Management Board and the Supervisory Board and on important topics discussed in the 2013 financial year may be found in the Report of the Supervisory Board.

The Supervisory Board shall hold at least two meetings per calendar half-year, and at least six per calendar year. In addition to the provisions of the Articles of Association, the Supervisory Board has added rules of procedure with regard to its duties: The Supervisory Board Chairman coordinates the work of the Supervisory Board, chairs its meetings, and represents the affairs of the Board externally. The Supervisory Board usually makes its decisions in meetings. However, decisions can also be made by telephone, video conference, or outside of the meetings.

The Supervisory Board constitutes a quorum when at least two thirds of its members (including either the Chairman or the Deputy Chairman of the Supervisory Board) participate in the vote. Generally, resolutions of the Supervisory Board shall be adopted by a simple majority of the votes cast, unless the law prescribes a different majority. In the event of a tied vote, the vote of the Supervisory Board Chairman will decide.

Supervisory Board meetings are recorded. Resolutions which are taken outside of the meetings are also recorded. A copy of the minutes and the resolutions adopted outside of meetings is provided to all members of the Supervisory Board. In accordance with the recommendation in item no. 5.6 of the Code, the Supervisory Board evaluates the efficiency of its work on a regular basis.

COMPOSITION AND WORKING PRACTICES OF THE MANAGEMENT BOARD'S AND SUPERVISORY BOARD'S COMMITTEES

The Management Board has not established any committees.

The Supervisory Board has three committees: the Audit Committee, the Remuneration and Nomination Committee, and the Science and Technology Committee. The three committees formed by the Supervisory Board are occupied by professionally qualified members.

AUDIT COMMITTEE

The central task of the Audit Committee is to assist the Supervisory Board in carrying out its supervisory duties with respect to the accuracy of the annual financial statements and the consolidated financial statements, the activities of the external auditors, the internal control functions, particularly risk management, compliance, and internal audit. In addition, the Audit Committee prepares the award of the audit mandate to the auditor. Members of the Audit Committee are Dr. Daniel Camus (Chairman), Ms. Karin Eastham, and Dr. Geoffrey Vernon. All three members are independent financial experts.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee is responsible for the preparation and annual review of the Management Board's compensation system before its final approval. In addition, the Committee monitors, when necessary, the search for suitable candidates for appointment as Management Board members or as Supervisory Board members and submits proposals to the Supervisory Board in this regard. The Committee also prepares contracts with Management Board members. The members of the Remuneration and Nomination Committee are Dr. Gerald Möller (Chairman), Dr. Marc Cluzel, and Ms. Karin Eastham.

SCIENCE AND TECHNOLOGY COMMITTEE

The Science and Technology Committee advises the Supervisory Board on matters concerning proprietary drugs and technology development and also prepares the relevant Supervisory Board resolutions. The members of the Science and Technology Committee are Dr. Walter A. Blättler (Chairman), and Dr. Marc Cluzel.

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

Corporate Governance Report

MorphoSys makes responsible, sustainable, and value-oriented corporate governance its highest priority. Good corporate governance is a central component of the corporate management at MorphoSys. It forms the framework for the management and supervision of the Company, including its organization, commercial principles, and guidance and control measures.

With the creation of the German Corporate Governance Code (the "Code"), a standard was established for transparent monitoring and control of enterprises, and which is particularly oriented towards the interests of shareholders. Many of the principles contained in the Code on Corporate Governance have been practiced at MorphoSys for a long period of time. Individual issues relating to corporate governance at MorphoSys AG are detailed in the Declaration on Corporate Governance pursuant to Sec. 289a of the German Commercial Code (HGB). This also includes the annual Declaration of Conformity, relevant information on corporate governance practices, and a description of the working practices of the Management Board and Supervisory Board. Additional information may be found in this Corporate Governance Report.

COMMUNICATION WITH THE CAPITAL MARKETS

One of the most important foundations of MorphoSys's corporate communication is to inform institutional investors, private shareholders, financial analysts, employees, and all other stakeholders simultaneously and comprehensively regarding the situation of the Company. This is accomplished through routine, transparent, and timely communication. All essential information is published on the internet. The company is strictly committed to the principle of fair disclosure.

A central component of Investor Relations at MorphoSys is regular meetings with analysts and investors in the course of roadshows and individual meetings. Conference calls accompany the publication of the quarterly results and allow analysts and investors to directly address their questions on the

development of the Company. The Company presentations prepared for on-site events are accessible to all interested parties on the Company website. Video and audio recordings of key events can always be found on the Company website. Transcripts of the conference calls are also promptly made available.

MorphoSys uses its corporate website as a central platform for providing current information on the Company and its progress. The MorphoSys financial calendar contains the publication dates of periodic financial reports and the date of the next Annual General Meeting well in advance.

ESTABLISHMENT OF SPECIFIC TARGETS FOR THE COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board of MorphoSys AG has a total of six members. In view of the Company's international orientation and to ensure a fair share of diversity, the Supervisory Board maintains a ratio of at least two non-German Supervisory Board members or at least two members having particular international experience. This ratio is currently being met.

The Company also strives to have at least four independent members represented on our Supervisory Board. This ratio is also currently being met. Substantial and not merely temporary conflicts of interest should be avoided; particularly with tasks at important competitors. This is currently the case.

Furthermore, it is intended that an adequate proportion of women shall be represented on the Supervisory Board. The Supervisory Board is aware that such an adequate proportion of women may not be reached with immediate effect. Nevertheless, the Supervisory Board intends that the assessment of potential candidates for positions on the Supervisory Board to become vacant will include qualified women. A prerequisite for the proposal of election of female candidates shall be their qualification and concrete suitability for the Company. With regard to the last election to the Supervisory Board that took place at the Annual General Meeting 2012, Ms. Karin Eastham was elected as new Supervisory Board member. The provision regarding the age limit of 75 years that is contained in the rules of procedure of the Supervisory Board is currently respected. However, the Supervisory Board may approve an exception therefrom in individual cases.

The Supervisory Board intends to consider the targets mentioned above for future nominations.

DIRECTOR'S HOLDING OF MANAGEMENT AND SUPERVISORY BOARD

The members of the Management Board and the Supervisory Board hold more than 1 % of the stocks issued by the Company. All shares, performance shares, stock options, and convertible bonds held by each member of the Management Board and the Supervisory Board are listed below.

TAB. 13: RELATED PARTIES

Shares	01/01/2013	Additions	Forfeitures	Sales	12/31/2013
Management Board					
Dr. Simon E. Moroney	419,885	191,445	0	158,445	452,885
Jens Holstein	6,500	0	0	0	6,500
Dr. Arndt Schottelius	2,000	90,000	0	90,000	2,000
Dr. Marlies Sproll	7,105	102,867	0	82,602	27,370
Total	435,490	384,312	0	331,047	488,755
Supervisory Board					
Dr. Gerald Möller	7,500	1,500	0	0	9,000
Dr. Walter Blättler	2,019	0	0	0	2,019
Dr. Daniel Camus	0	0	0	0	0
Dr. Marc Cluzel	0	0	0	0	0
Karin Eastham	0	1,000	0	0	1,000
Dr. Geoffrey Vernon	0	0	0	0	0
Total	9,519	2,500	0	0	12,019
Stock Options					
Management Board					
Dr. Simon E. Moroney	191,445	0	0	191,445	0
Jens Holstein	0	0	0	0	0
Dr. Arndt Schottelius	90,000	0	0	90,000	0
Dr. Marlies Sproll	102,867	0	0	102,867	0
Total	384,312	0	0	384,312	0
Convertible Bonds					
Management Board					
Dr. Simon E. Moroney	58,800	88,386	0	0	147,186
Jens Holstein	0	90,537	0	0	90,537
Dr. Arndt Schottelius	33,000	60,537	0	0	93,537
Dr. Marlies Sproll	33,000	60,537	0	0	93,537
Total	124,800	299,997	0	0	424,797

Performance Shares	01/01/2013	Additions	Forfeitures	Exercises	12/31/2013
Management Board					
Dr. Simon E. Moroney	36,652	12,024	0	0	48,676
Jens Holstein	25,104	8,235	0	0	33,339
Dr. Arndt Schottelius	25,104	8,235	0	0	33,339
Dr. Marlies Sproll	25,104	8,235	0	0	33,339
Total	111,964	36,729	0	0	148,693

DIRECTORS' DEALINGS

Members of the Management Board and Supervisory Board of MorphoSys AG, as well as closely related persons to such members, are obligated to disclose trading in MorphoSys in accordance with the German Securities Trading Act (WpHG).

During the year, MorphoSys received the following notifications pursuant to Sec. 15a of the German Securities Trading Act (WpHG), which are listed in the following table.

TAB. 18: DIRECTORS' DEALINGS IN 2013

Party Subject to the Notification Requirement	Function	Date of Transaction in 2013	Type of Transaction	Number of Stocks/ Derivatives	Average Share Price	Transaction Volume
Dr. Simon Moroney	CEO	11/19/2013	Purchase; stock options were converted into MorphoSys AG shares; Dr. Moroney is holding the shares received	33,000	€ 12.81	€ 422,730.00
Dr. Simon Moroney	CEO	11/19/2013	Sale; stock options were converted into MorphoSys AG shares and subsequently sold	28,300	€ 55.85	€ 1,580,555.00
Dr. Simon Moroney	CEO	11/20/2013	Sale; stock options were converted into MorphoSys AG shares and subsequently sold	860	€ 55.00	€ 47,300.00
Dr. Simon Moroney	CEO	11/21/2013	Sale; stock options were converted into MorphoSys AG shares and subsequently sold	18,840	€ 54.39	€ 1,024,707.60
Karin Eastham	Member of the Supervisory Board	09/20/2013	Purchase	1,000	US\$ 76.68	US\$ 76,680.00
Dr. Simon Moroney	CEO	07/16/2013	Sale; stock options were converted into MorphoSys AG shares and subsequently sold	110,445	€ 49.00	€ 5,411,805.00
Dr. Arndt Schottelius	CDO	07/16/2013	Sale; stock options were converted into MorphoSys AG shares and subsequently sold	90,000	€ 49.00	€ 4,410,000.00
Dr. Marlies Sproll	CSO	07/16/2013	Sale; stock options were converted into MorphoSys AG shares and subsequently sold	46,002	€ 49.00	€ 2,254,098.00
Dr. Marlies Sproll	CSO	07/16/2013	Sale; stock options were converted into MorphoSys AG shares and subsequently sold	36,600	€ 49.00	€ 1,793,400.00
Dr. Marlies Sproll	CSO	07/16/2013	Purchase; stock options were converted into MorphoSys AG shares; Dr. Sproll is holding the shares received	20,265	€ 13.03	€ 264,052.95
Dr. Gerald Möller	Chairman of the Supervisory Board	07/10/2013	Purchase	1,500	€ 50.65	€ 75,975.00

PREVENTING CONFLICTS OF INTEREST

Members of the Management Board and the Supervisory Board are obliged to refrain from actions that could lead to conflicts of interest with their functions performed at MorphoSys AG. Such transactions or secondary employment of the Management Board must be disclosed immediately to the Supervisory Board and are subject to its approval. The Supervisory Board, in turn, must inform the Annual General Meeting of any conflicts of interest and their treatment. In the 2013 financial year, no conflicts of interest occurred.

SHAREHOLDER APPROVAL OF EQUITY-BASED COMPENSATION PLANS; STOCK REPURCHASES

By resolution of the Annual General Meeting of 19 May 2011, and in accordance with § 71 Para 1 no. 8 AktG, MorphoSys is authorized to repurchase its own shares in an amount of up to 10 % of the existing common stock. This authorization may be exercised in whole or in part, once or on several occasions, by the Company or a third party on behalf of the Company, for the purposes specified in the authorizing resolution. It is at the discretion of the Management Board, as to whether the repurchase is carried out on the stock exchange, by a public offer, or a public call to tender.

In the period of April - May 2013, MorphoSys has repurchased 84,475 of its own shares on the basis of this authorization. The Company plans to use these treasury shares for the Management Board's and Senior Management Group's long-term incentive plans. However, this authorization also allows the shares to be used for all other lawful purposes.

INFORMATION AND COMMUNICATION

During the 2013 financial year, the updating and expansion of the ERP software (ERP = Enterprise Resource Planning) implemented was carried out successfully within the planned project budget and time frame. In addition, the Corporate Performance Management System (CPM), introduced in 2012, was extended with new features for supporting key business processes. The CPM system's consolidation features were successfully audited by external auditors. By introducing a unified communication system, it was possible to reduce current IT costs and raise internal collaboration to the latest state-of-the-art level. Based on advanced IT security technologies, MorphoSys expanded its technical controls to ensure the protection of its information. Organizational controls for ensuring the protection of information at MorphoSys are defined in the relevant guidelines.

COMPLIANCE SYSTEM

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE ACCOUNTING PROCESS

In the 2013 reporting year, MorphoSys routinely updated its documentation of the existing internal control and risk management system to maintain adequate internal control over its financial reporting. MorphoSys has described the main features of its accounting-related internal control and risk management system in accordance with § 289 Para. 5 and § 315 Para. 2 no. 5 HGB, and pursuant to § 107 Para. 3 AktG. This ensures the presence of all inspections in order to report financial data as accurately and as precisely as possible. The COSO (Committee of Sponsoring Organizations of the Treadway Commission) defines the relevant COSO framework ("Internal Control - Integrated Framework"). This is the basis most commonly used for internal controlling of financial reporting and is also used by MorphoSys.

In view of system-inherent limitations, there is no absolute guarantee that the internal controls will be able to prevent or fully uncover misrepresentations in the context of financial reporting at all times. The internal controls can only give reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements consistent with the IFRS standards adopted by the European Union for external purposes.

To ensure the correctness of the key financial figures reported and the underlying execution of all accounting processes, MorphoSys has implemented a strict four-eye principle. In addition, the effectiveness and efficiency of these processes are controlled and reviewed regularly by external service providers. The annual financial statements undergo a high number of preparation, audit, and control processes in order that they can be reported promptly to the market and shareholders. This is carried out according to a plan agreed upon by the management which also provides for the corresponding internal and external resources.

Furthermore, a set of rules and guidelines ensure the strict separation of planning, posting, and execution of financial transactions. The adherence to and implementation of these policies is reviewed regularly. For all IT systems used, this separation of functions is ensured by the appropriate allocation of rights.

Predictions of future events are not part of the internal control and risk management system. However, MorphoSys does employ a risk management system that ensures the early identification and assessment of business-specific risks. Appropriate countermeasures are used to eliminate, or at least reduce the risks identified to an acceptable level. Special attention is given to those risks that could jeopardize the Company's existence.

The Management Board ensures the permanent and responsible dealing of risks and keeps the Supervisory Board informed of all existing risks and their development. Detailed information on MorphoSys's opportunities and risks may be found in the "Risks and Opportunities Report."

INTERNAL AUDIT

The task of Internal Audit is to assist the MorphoSys AG with a systematic and consistent approach to evaluating and improving the effectiveness of risk management, and to support the management and monitoring functions in their fulfillment of the set goals. The accounting and consulting firm, KPMG, was appointed in 2013 for the internal audit and was appointed as co-sourcing partner for the performance of the audit.

The internal audit is based on a risk-oriented internal audit plan which is largely based on the results of the most recent risk studies. Audit requirements and recommendations of the Management Board and the Audit Committee of the Supervisory Board also filter into this audit plan.

The Internal Audit Department reports to the Management Board at regular intervals. The Head of Internal Audit and the Chief Executive Officer report to the Audit Committee of the Supervisory Board twice annually, or immediately, if necessary.

In the course of 2013, six audits were successfully conducted. Some areas requiring action were identified and appropriate corrections were initiated and performed. In the case of complaints, appropriate countermeasures were initiated during the reporting year. The 2014 audit plan of the Internal Audit department prescribes a number of tests similar to the number in 2013.

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. At the 2013 Annual General Meeting, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft was appointed auditor for the 2013 financial year. As evidence of its independence, the auditor submitted a Declaration of Independence to the Supervisory Board.

REMUNERATION REPORT

The Remuneration Report presents the principles, structure, and amount of compensation paid to the Management Board and Supervisory Board. It reflects the legal provisions and gives consideration to the recommendations of the Code.

REMUNERATION OF THE MANAGEMENT BOARD

The remuneration system for the Management Board is intended to provide an incentive for performance-oriented and sustainable corporate management. Therefore, the aggregate compensation of Management Board members is comprised of different components such as fixed components, an annual cash bonus based on the achievement of individual and corporate targets (short-term incentive - STI), as well as a variable compensation component with a long-term incentive (long-term incentive - LTI), and of other compensation components. The variable remuneration component with long-term incentive consists basically of a performance share plan and, specifically in 2013, a convertible bond plan. The Management Board members also receive fringe benefits in the form of non-cash benefits. These benefits essentially consist of a company car, telephone, and insurance premiums. As a component of remuneration, the fringe benefits of each Management Board member are taxable. All total remuneration packages are reviewed annually by the Remuneration and Nomination Committee for their scope and appropriateness and compared to the results of an annual management board compensation analysis. The amount of compensation paid to Management Board members highly depends on the areas of responsibility of the respective Management Board member, his or her personal achievement of goals, business performance, as well as success and the economic prospects of the Company in relation to the competition. All decisions concerning any adjustments to the total remuneration packages are taken by the entire Supervisory Board. The salaries were last adjusted in July 2013.

OVERVIEW

In the 2013 financial year, the total remuneration of the Management Board amounted to € 3,639,489 (2012: € 2,933,562).

Of this total remuneration, € 2,837,809 was cash remuneration, and € 3,004,584, or 51 %, resulted from stock-based compensation for 2013 (performance share plan, stock option plan and convertible bond plan) (remuneration with long-term incentive - LTI).

The following shows a detailed and individualized table of the Management Board's compensation.

TAB. 15A: COMPENSATION OF THE MANAGEMENT BOARD IN 2013

	Fixed Compensation		Short-term Incentive Compensation	Long-term Incentive Compensation (Target Attainment Depends on Company Goals) ¹			Total Compensation ²
	Base Salary in €	Other Compensatory Benefits in €	Variable Compensation in €	No. of Performance Shares Granted	No. of Convertible Bonds Granted	Personal Expenses Regarding Stock-Based Compensation 2013	in €
Dr. Simon E. Moroney	412,049	179,353 ³	360,543	12,024	88,386	953,834	1,905,779
Jens Holstein	279,531	106,315 ⁴	244,590	8,235	90,537	750,964	1,381,400
Dr. Arndt Schottelius	279,531	107,437 ⁵	244,590	8,235	60,537	651,773	1,283,331
Dr. Marlies Sproll	279,531	99,749 ⁶	244,590	8,235	60,537	648,013	1,271,883
Total	1,250,642	492,854	1,094,313	36,729	299,997	3,004,584	5,842,393

- 1 The remuneration with a long-term incentive effect is dependent upon the achievement of the company objectives. This remuneration is presented in an amount which corresponds to the past financial year.
- 2 The total remuneration shown for 2013 includes the respective bonus accruals for 2013 which will be paid out in February 2014.
- 3 Includes € 112,221 in contributions to individual pension plans and allowances for insurances
- 4 Includes € 78,177 in contributions to individual pension plans and allowances for insurances
- 5 Includes € 78,294 in contributions to individual pension plans and allowances for insurances
- 6 Includes € 78,170 in contributions to individual pension plans allowances for insurances

TAB. 15B: COMPENSATION OF THE MANAGEMENT BOARD IN 2012

	Fixed Compensation		Short-term Incentive Compensation	Long-term Incentive Compensation (Target Attainment Depends on Company Goals) ¹		Total Compensation ²
	Base Salary in €	Other Compensatory Benefits in €	Variable Compensation in €	No. of Performance Shares Granted	Personal Expenses Regarding Stock-Based Compensation 2012	in €
Dr. Simon E. Moroney	401,980	139,555 ³	226,689	18,976	274,075	1,042,299
Jens Holstein	271,867	129,836 ⁴	176,890	12,997	113,175	691,768
Dr. Arndt Schottelius	272,700	103,841 ⁵	164,155	12,997	185,199	725,895
Dr. Marlies Sproll	272,700	96,609 ⁶	162,653	12,997	165,144	697,106
Total	1,219,247	469,841	730,387	57,967	737,593	3,157,068

- 1 The remuneration with a long-term incentive effect is dependent upon the achievement of the company objectives. This remuneration is presented in an amount which corresponds to the past financial year.
- 2 The total remuneration shown for 2012 includes the respective bonus accruals for 2012 which were paid out in February 2013.
- 3 Includes € 109,882 in contributions to individual pension plans and allowances for insurances
- 4 Includes € 72,999 in contributions to individual pension plans and allowances for insurances
- 5 Includes € 76,898 in contributions to individual pension plans and allowances for insurances
- 6 Includes € 76,789 in contributions to individual pension plans and allowances for insurances

Members of the Management Board have exercised convertible bonds and stock options in the course of 2013. All transactions in connection with trading in MorphoSys shares were reported as required by law and published in the Corporate Governance Report and on the Company's website.

FIXED COMPENSATION

The non-performance related remuneration of the Management Board is composed of fixed remuneration and additional other benefits which mainly include the use of company cars, and also subsidies for health, welfare, and disability insurance. In the 2013 financial year, Management Board member Jens Holstein was reimbursed € 1,961 for relocation costs for his move to Munich. Furthermore, the Company provides payments to Management Board members of up to 10 % of each Management Board member's fixed annual salary plus taxes to be paid. These payments are to be used by the Management Board members for their individual retirement plans. These payments are included in other compensation. In addition, 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 this provident fund are met by Allianz Pensions-Management e.V.

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

As performance-based remuneration, each Management Board member receives an annual cash bonus amounting to up to 70 % of the gross base salary upon the 100 % achievement of objectives. These bonus payments are dependent upon the achievement of corporate and personal objectives which are determined by the Supervisory Board at the beginning of each financial year. Corporate targets comprise two-thirds of performance-based remuneration and are based on the business development in terms of revenue, operating results, progress of the partnered pipeline, and on the Company's proprietary portfolio. Personal targets comprise one-third of performance-based remuneration and include the fulfillment of operational targets for which the respective Management Board member is responsible. At the start of the year, the Supervisory Board assesses as to what degree the corporate and personal objectives were achieved in the prior year, and determines the corresponding bonus accordingly. The bonus is subject to a ceiling of 125 % of the target amount (corresponding to 87.5 % of gross basic salary). If targets are not achieved, the performance-based remuneration may be completely omitted. The bonus for the 2013 financial year will be paid in February 2014.

LONG-TERM INCENTIVE COMPENSATION (LTI)

MorphoSys has already introduced a new, long-term incentive plan (Performance Share Plan) for the Management Board and members of the Senior Management Group in 2011. The LTI program is based on the allocation of shares which are linked to the achievement of certain pre-defined performance targets over a four-year period.

The Supervisory Board decides annually on the number of performance shares to be allocated to the Management Board, which in turn determines the allocation of shares to the members of the Senior Management Group. On 1 April 2013, 36,729 performance shares were awarded to the Management Board and 24,872 performance shares were granted to members of the Senior Management Group. On 1 October 2013, an additional 549 shares were allocated to the members of the Senior Management Group; hereby each member received an entitlement to a certain number of shares. For more details, please refer to (LTI Program 2013" of the Notes to the annual financial statement and the explanations on share repurchases found in the Corporate Governance Report.

The Supervisory Board has also set long-term performance targets through the allotment of shares in specific years. For the 2013 LTI program, the target was defined as the share price performance of the

MorphoSys share, compared to a benchmark index that was comprised equally of the NASDAQ Biotech Index and the TecDAX index. Performance shares are awarded annually on the basis of a daily comparison of the MorphoSys share with the benchmark index. For the price performance of a specific year, there is a hurdle of 50 % and an upper limit of 200 %. This means that shares may not be exercised when MorphoSys's share performance is less than 50 % of the performance of the benchmark index. In contrast, when the share's performance exceeds that of the index by more than 200 %, no additional shares are issued.

The final number of performance shares allocated to the beneficiaries of the LTI program is determined after completion of the program, specifically, after a period of four years. This calculation incorporates the number of shares initially allocated, after adjusting the Company's share price performance, versus the benchmark index and the discretion of the Supervisory Board with regards to a so-called "company factor". The company factor is a number between zero and two and is determined by the Supervisory Board depending on the Company's situation. The predefined default value of the company factor is one.

In addition to the performance share program as a regular variable remuneration component with long-term incentive effects, the Management Board also participated in a convertible bond plan of the Company on 1 April 2013. The circumstances of this additional remuneration under the Company's convertible bond plan the MorphoSys's positive operating development.

MISCELLANEOUS

In the reporting year, no credits, loans or similar benefits were granted to members of the Management Board. In the year under review, the Management Board members received no benefits from third parties that were either promised or granted in view of their position as members of the Management Board.

TERMINATION OF MANAGEMENT BOARD EMPLOYMENT CONTRACTS / CHANGE OF CONTROL

If a Management Board member's service contract terminates as a result of the death, his/her spouse or his/her life partner are entitled to the fixed monthly salary for the month of death and the following twelve months thereafter. In the event of a change in control, each Management Board member is entitled to exercise the extraordinary termination of his/her employment contract, including an entitlement to outstanding fixed salary for the remainder of the agreed contract period. Moreover, in such a case, all stock options, convertible bonds, and performance shares granted will become vested immediately and are exercisable after the expiration of the statutory vesting period or blackout periods. A change in control occurs particularly when: (i) MorphoSys transfers assets or a substantial part of its assets to unaffiliated third parties, (ii) MorphoSys merges with a non-affiliated company, or (iii) a shareholder or third party holds 30 % or more of the voting rights in MorphoSys.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the members of the Supervisory Board is governed by the Company's Articles of Association or by a corresponding resolution on Supervisory Board remuneration of the Annual General Meeting. The members of the Supervisory Board received a fixed remuneration in the 2013 financial year and attendance fees for their participation in Supervisory Board and Committee meetings. According to the resolution of the Annual General Meeting of 31 May 2012, each Supervisory Board member receives an annual flat compensation (€ 85,400 for the Chairman, € 51,240 for the Vice Chairman, and € 34,160 for all other members) for their membership in the Supervisory Board. The Chairman receives € 3,000 for each Supervisory Board meeting he chairs, and the remaining members receive € 1,500 each time they attend a Supervisory Board meeting. For Committee work, the Committee

Chairman receives € 9,000 and the remaining committee members each receive € 6,000. In addition, Committee members receive € 1,000 for each Committee meeting they participate in. The compensation is paid quarterly on a pro-rated basis.

Supervisory Board members are also reimbursed for travel costs and the value-added taxes (VAT) due on their remuneration. Overall compensation takes into account the responsibilities and scope of the tasks of the Supervisory Board members.

In the 2013 financial year, Supervisory Board members received a total of € 458,280 (2012: € 478,197), excluding the reimbursement of travel expenses. This amount is comprised of the fixed remuneration and attendance fees.

No loans were granted to Supervisory Board members.

The following table shows the remuneration of the Supervisory Board in detail:

TAB. 16: COMPENSATION OF THE SUPERVISORY BOARD

in €	Fixed		Attendance Fees		Total Compensation	
	Compensation		2013	2012	2013	2012
	2013	2012				
Dr. Gerald Möller	94,400	94,400	32,000	37,000	126,400	131,400
Dr. Geoffrey Vernon	57,240	51,549	19,500	22,000	76,740	73,549
Dr. Walter Blättler	43,160	43,160	17,000	21,500	60,160	64,660
Dr. Daniel Camus	43,160	41,939	19,500	23,500	62,660	65,439
Dr. Marc Cluzel	46,160	27,116	23,500	19,000	69,660	46,116
Karin Eastham	40,160	23,591	22,500	15,000	62,660	38,591
Prof. Dr. Jürgen Drews*	0	26,264	0	9,500	0	35,764
Dr. Metin Colpan*	0	16,678	0	6,000	0	22,678
Total	324,280	324,697	134,000	153,500	458,280	478,197

* retired from the Supervisory Board of MorphoSys AG on 31 May 2012

Disclosures Pursuant to §§ 289 Para. 4 and Explanatory Report of the Management Board Pursuant to § 176 Para. 1 Sentence 1 AktG

COMPOSITION OF COMMON STOCK

As of 31 December 2013, the statutory common stock amounted to € 25,669,444.00, and was divided into 25,669,444 no-par value bearer shares. With the exception of 339,890 treasury shares held by the Company, this concerns bearer shares with voting rights, whereby each share carries 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 which affect voting rights or the transfer of shares. This also relates to restrictions which might arise from agreements between shareholders.

Furthermore, restrictions on voting rights could also arise from the provisions of the German Stock Corporation Act (AktG), such as according to § 136 AktG or for treasury shares pursuant to § 71b AktG.

SHAREHOLDINGS IN THE COMMON STOCK EXCEEDING 10% OF THE VOTING RIGHTS

MorphoSys has not been notified of or is aware of any direct or indirect interests in the common stock of the Company which 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 REGARDS TO EMPLOYEE OWNERSHIP IN THE CAPITAL

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

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

The determination of the number of Management Board members, their appointment and dismissal, and the nomination of the Chief Executive Officer, are carried out by the Supervisory Board in accordance with § 6 of the Articles of Association and § 84 AktG. The Management Board of the Company currently consists of the Chief Executive Officer and three other members. Management Board members may be appointed for a maximum period of five years. A reappointment or extension of the term of office is permitted up to a maximum of five years in each case. The Supervisory Board may revoke the appointment of a Management Board member or the nomination to Chief Executive Officer, for good cause within the meaning of § 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 pursuant to § 85 AktG.

In principle, the Articles of Association may only be amended by a resolution of the Annual General Meeting in accordance with § 179 Para. 1 Sentence 1 AktG. Pursuant to § 179 Para. 2 Sentence 2 AktG in conjunction with § 20 of the Articles of Association. The Annual General Meeting of MorphoSys resolves amendments to the Articles of Association generally through a simple majority of the votes cast and a simple majority of the common capital represented. To the extent that the law stipulates a mandatory greater majority of votes or capital, this shall be applied. Amendments to the Articles of Association which solely concern their wording, may be resolved by the Supervisory Board pursuant to § 179 Para. 1 Sentence 2 AktG in conjunction with § 12 Para. 3 of the Articles of Association.

POWERS OF THE MANAGEMENT BOARD TO ISSUE SHARES

The Management Board's power to issue shares arises from § 5 Para. 5 to Para. 6e of the Articles of the Association of the Company as of 31 December 2013 and the statutory provisions:

1. Authorized Capital

According to § 5 Para. 5 of the Articles of Association, the Management Board is authorized, with the consent of the Supervisory Board, to increase the Company's common stock on one or more occasions by up to EUR 2,335,822.00 for cash contribution / or contributions in kind by issuing up to 2,335,822 new, no-par value bearer shares until and including 30 April 2018 (Authorized Capital 2013-I).

If there is a capital increase, the shareholders are generally entitled to subscription rights. The shares may also be subscribed for by one or several credit institutions with the obligation to offer the shares to shareholders for subscription. However, the Management Board is authorized to exclude preemptive rights of shareholders with the consent of the Supervisory Board:

- aa) in the case of a capital increase for cash contribution, to the extent that this is necessary for avoiding fractional shares; or
- bb) in the case of a capital increase against contribution in kind, to the extent that the capital increase is used for the acquisition of companies, interests in companies, patents, or other intellectual property rights or license rights; or of assets which constitutes a business in its entirety; or
- cc) in the case of a capital increase for cash contribution, to the extent that the new shares are placed on a domestic and / or foreign stock exchange in the context of a listing.

The Management Board is authorized, with the consent of the Supervisory Board, to determine the further details of the capital increase and its implementation.

The previous Authorized Capital 2012- II in accordance with § 5 Para. 6 of the Articles of Association was utilized in its entirety as part of the capital increase carried out in September 2013 and thus cancelled.

2. Conditional Capital

- a. According to § 5 Para. 6a of the Articles of Association, the Company's common stock is conditionally increased by € 70,329.00, divided into up to 70,329 no par-value bearer shares (Conditional Capital 1999 -I). The conditional capital increase of € 3,255.00 (Conditional Capital II a) will only be executed to the extent that the holders of option rights, which were conferred by MorphoSys until 20 July 2004 under the authorization of the Annual General Meeting of 21 July 1999, make use of their right of exercise. Regarding an amount of € 5,229.00 (Conditional Capital II bb), the conditional capital increase will only be affected to the extent that holders of

option rights, which were conferred by MorphoSys from 21 July 2004 until 30 April 2009 under the authorization of the Annual General Meeting of 11 May 2004, make use of their right of exercise. The conditional capital increase for an amount of € 61,845.00 (Conditional Capital II b) will only be executed to the extent that the holders of option rights, which were conferred by MorphoSys until 4 June 2006 under the authorization of the Annual General Meeting of 5 July 2001, make use of their right to exercise. The new shares, to the extent that they are created through exercise by the beginning of the Annual General Meeting, participate in the Company's profits from the beginning of the previous financial year, or otherwise from the beginning of the financial year in which they are created through the exercise of subscription rights.

- b. According to § 5 Para. 6b of the Articles of Association, the Company's common stock is conditionally increased to a maximum of € 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 MorphoSys until 30 April 2016 under the authorization of the Annual General Meeting of 19 May 2011, exercise 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 30 April 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 arise through the exercise of conversion rights or the fulfillment of conversion obligations.
- c. According to § 5 Para. 6c of the Articles of Association, the Company's common stock is conditionally increased to a maximum of € 725,064.00, divided into 725,064 new no par-value bearer shares (Conditional Capital 2003-II). The conditional capital increase will only be executed to the extent that holders of convertible bonds issued, exercise their conversion rights for conversion into ordinary shares of the Company. The new shares are first entitled to dividends in the financial year, for which there was no resolution of the Annual General Meeting on the appropriation of accumulated income at the time of issuance. The Management Board is authorized, with the consent of the Supervisory Board, to determine the further details of the capital increase and its implementation.
- d. According to § 5 Para. 6d of the Articles of Association, the Company's common stock is conditionally increased by € 763,515.00, divided into up to 763,515 no par-value bearer shares (Conditional Capital 2008-II). The conditional capital increase will only be executed to the extent that holders of option rights, which were conferred by the Company until 30 April 2013 under the authorization of the Annual General Meeting, make use of their right of exercise. The new shares participate in the Company's profits from the beginning of the financial year in which they arise through the exercise of conversion rights or the fulfillment of conversion obligations.

- e. According to § 5 Para. 6e of the Articles of Association, the Company's common stock is conditionally increased by up to € 450,000.00, divided into up to 450,000 new no par-value bearer shares (Conditional Capital 2008-III). The conditional capital increase will only be executed to the extent that holders of convertible bonds issued exercise their conversion rights for conversion into ordinary shares of the Company. The new shares participate in the Company's profits from the beginning of the financial year, for which there was no resolution on the appropriation of accumulated income at the time of issuance. The Management Board is authorized, with the consent of the Supervisory Board, to determine the further details of the capital increase and its implementation.

POWER OF THE MANAGEMENT BOARD TO REPURCHASE SHARES

The Management Board's power to repurchase own shares arise from §§ 71 AktG and the authorization by the Annual General Meeting of 19 May 2011:

Until 30 April 2016, the Management Board is authorized to repurchase its own shares totaling up to 10 % of the common stock existing at the time of the resolution (or possibly the lower amount of common stock at the time of use of the authorization) for any purpose permitted under the statutory limits. The repurchase takes place, at the discretion of the Management Board, either on the stock exchange or through a public offer or a public invitation to submit a bid. The authorization may not be used for the purpose of trading in own shares. The intended use of treasury shares acquired under this authorization may be found under agenda item 7 of the Annual General Meeting of 19 May 2011. In particular, the shares may be used as follows:

- a. The shares may be redeemed without the redemption or its implementation requiring a further resolution of the Annual General Meeting.
- b. The shares may be sold in ways other than via the stock exchange or via an offer to shareholders if the shares are sold for cash payment at a price that is not significantly below the market price of Company 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 the acquisition of companies, parts of companies, interests in companies, or mergers of companies.
- d. The shares may be used for the fulfillment of conversion rights of convertible bonds issued by the Company or its affiliated companies.
- e. The shares may be sold to employees of the Company and employees of affiliated companies as well as to members of the Company's management and / or for the fulfillment of commitments concerning the purchase or the obligation to purchase Company shares which were granted to employees of the Company and employees of affiliated companies as well as members of the Company's management.

If shares are used for the purposes mentioned above, the preemptive rights of shareholders are excluded, with the exception of redemption of shares.

The Supervisory Board may specify that measures taken by the Management Board on the basis of this authorization may only be implemented with Supervisory Board's consent.

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

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

A change of control includes, in particular, the acquisition of 30 % or more of the voting rights in the Company within the meaning of §§ 29 and 30 of the German Securities Acquisition and Takeover Act (WpÜG).

In June 2013, MorphoSys entered into an agreement with Celgene to jointly develop the anti-cancer antibody MOR202 globally and to co-promote MOR202 in Europe. Pursuant to this agreement, Celgene may terminate the co-promotion rights of MorphoSys in the event of a business combination of MorphoSys with a third party. Such business combination is defined to be an acquisition of 50 % or more of the voting shares of MorphoSys, a merger of the third party with MorphoSys or a transfer of substantially all of the assets of MorphoSys to the third party. Furthermore, in the event of such a business combination with a third party that has a competing pharmaceutical program to MOR202 but is not a violation of the non-compete clause, the research and development activities required under the agreement with Celgene shall be conducted separately from any research and development activities of the competing pharmaceutical program.

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

Following a change of control, each member of the Management Board may terminate his / her 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 are exercisable after the expiration of the statutory waiting times or blackout periods.

Following a change of control, each member of the Senior Management Group may also terminate his / her employment contract and demand a severance payment equal to one annual gross fixed salary. Moreover, in such a case, any stock options, convertible bonds, and performance shares granted will also become vested immediately and are exercisable after the expiration of the statutory waiting times or blackout periods.

A change of control includes in particular the following cases: (i) MorphoSys transfers the Company's assets, in whole or in substantial part, to unaffiliated entity, (ii) MorphoSys merges with a non-affiliated entity, or (iii) a shareholder or third party directly or indirectly holds 30 % or more of the voting rights in MorphoSys.

Allocation of profit

For fiscal year 2013, MorphoSys AG accounts for an accumulated income of € 17,222,133.94 (31 December 2012: € 3,114,117.85). In the Supervisory Board meeting on 27 February 2014, the Management Board proposed to the Supervisory Board to propose to the Annual General Meeting on 23 May 2014 the following resolution:

In €	2013
a. Allocation to Shareholders	0.00
b. Allocation to Other Earnings Reserves	0.00
c. Profit Carried Forward	17,222,133.94
d. Accumulated Income	17,222,133.94

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.

Corporate Governance at MorphoSys

FIG. 11: RISK-BASED INTERNAL AUDIT PLAN

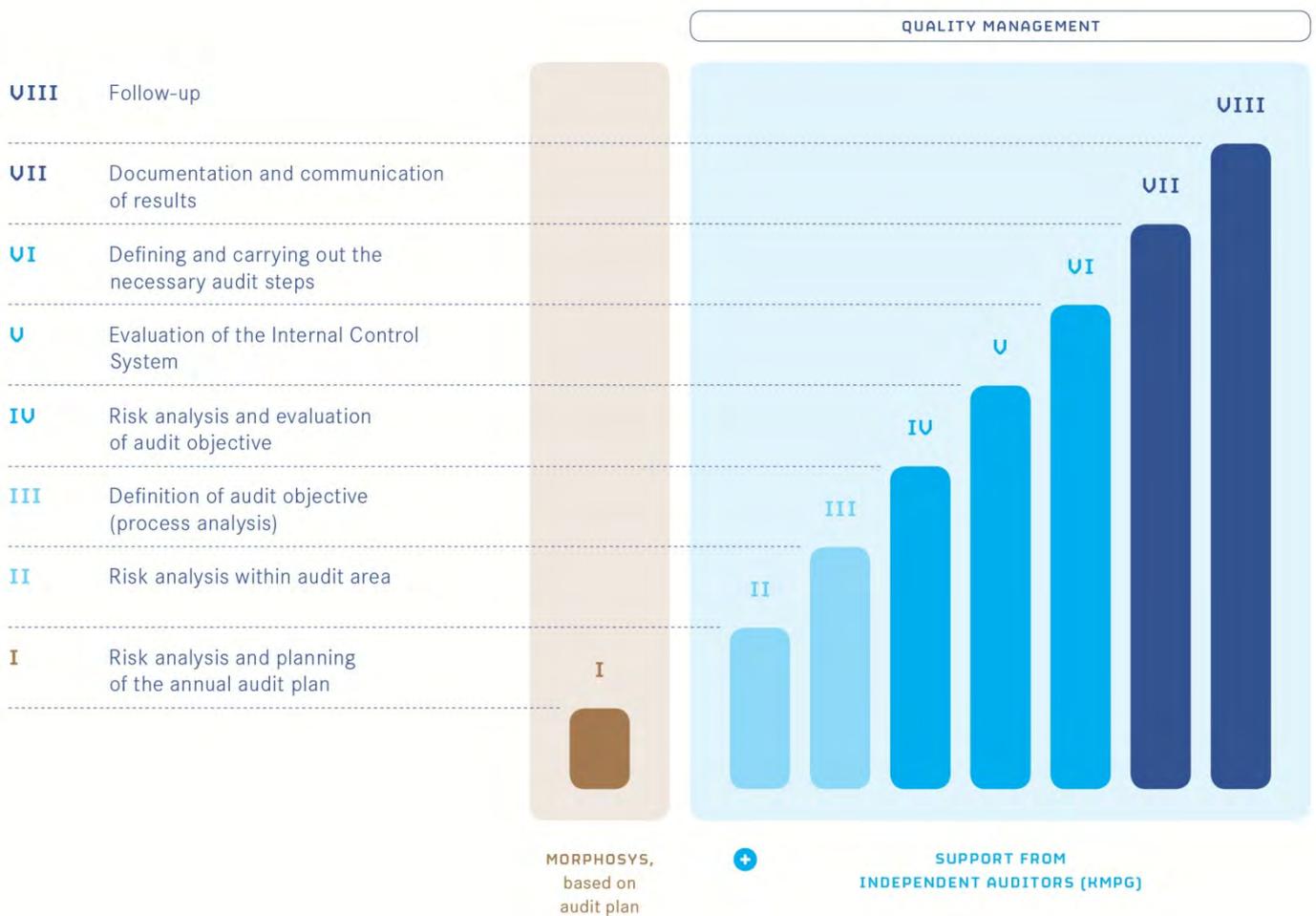
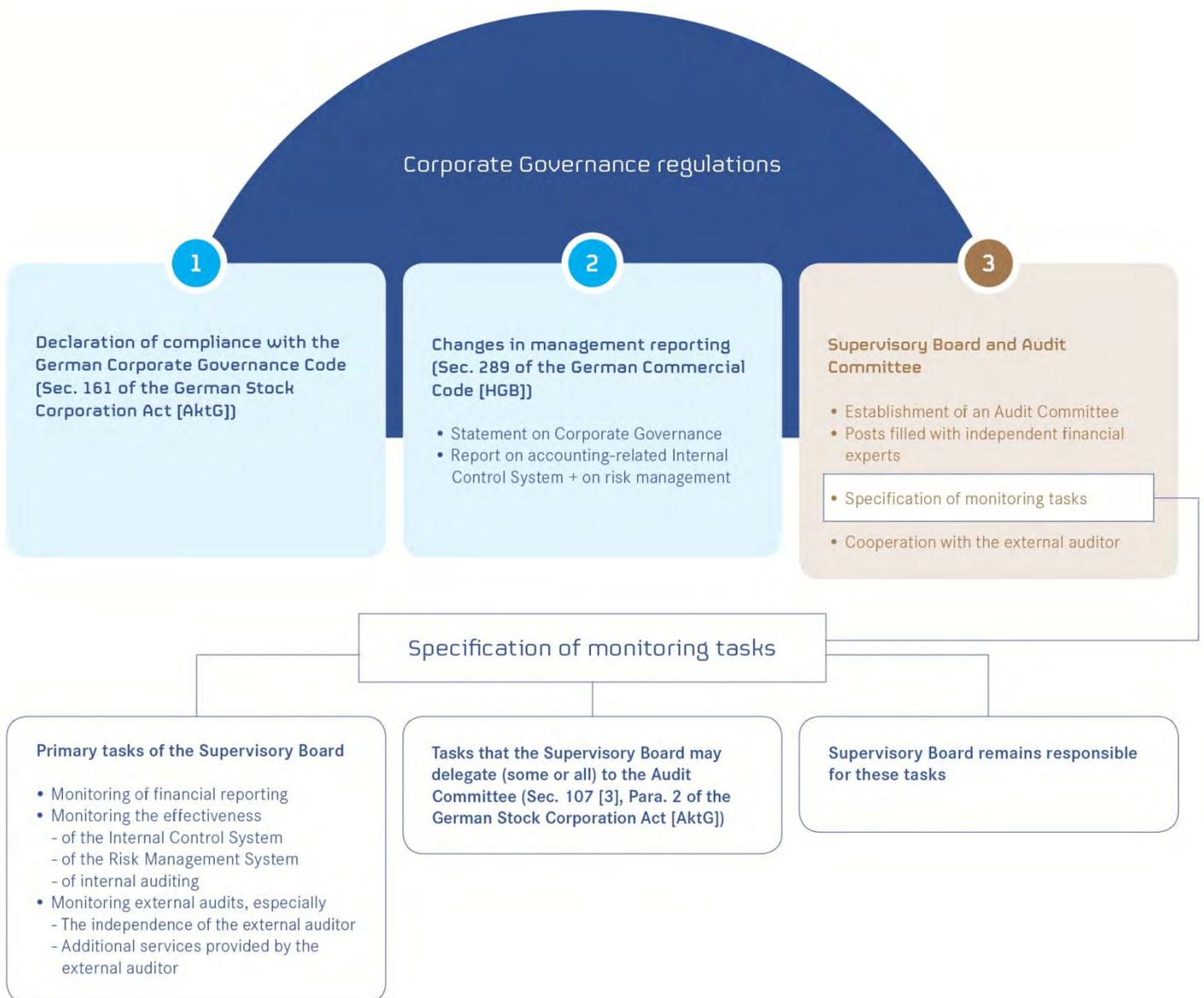


FIG. 12: THE MORPHOSYS COMPLIANCE SYSTEM



Annual Financial Statements as of 31 December 2013 (German GAAP)

MorphoSys AG, Martinsried

Balance Sheet as of 31 December 2013

ASSETS		12/31/2013 EUR	12/31/2013 EUR	12/31/2012 EUR
A.	FIXED ASSETS			
I.	Intangible Assets			
	Franchises, trademarks, patents, licences, and similar rights and licences to such rights	19,962,340	19,962,340	18,571,310
II.	Tangible Assets			
1.	Land, leasehold rights and buildings, including leasehold improvements	105,867		203,992
2.	Other equipment, furniture and fixtures	1,993,541		2,799,711
			2,099,408	3,003,703
III.	Financial Assets			
1.	Shares in affiliated companies	20,070,149		52,088,594
2.	Shares in participations	1,726,633		881,633
			21,796,782	52,970,227
B.	CURRENT ASSETS			
I.	Inventories			
1.	Raw materials, supplies and production materials	265,701		331,850
2.	Semi-finished Goods	198,203		198,203
			463,904	530,053
II.	Receivables and Other Assets			
1.	Trade accounts receivable (thereof due within one year EUR 10,270,322, prior year: EUR 9,223,050)	10,270,322		9,223,050
2.	Receivables due from affiliated companies (thereof due within one year EUR 3,284,714, prior year: EUR 3,333,362)	3,284,714		3,333,362
3.	Receivables due from participations	0		30,000
4.	Other assets (thereof due after one year EUR 298,602, prior year: EUR 73,607)	80,167,921		12,803,707
			93,722,957	25,390,119
III.	Securities			
	Other securities	231,276,116		71,383,850
			231,276,116	71,383,850
IV.	Cash on Hand and Cash at Banks	64,410,761	64,410,761	32,648,855
C.	PREPAID EXPENSES	3,370,609	3,370,609	1,355,118
			437,102,877	205,853,235

LIABILITIES AND SHAREHOLDERS EQUITY	12/31/2013 EUR	12/31/2013 EUR	12/31/2012 EUR
A. EQUITY			
I. Capital Subscribed (Nominal Value of the Conditional Capital as of 31 December 2013: € 8,057,470; 31 December 2012: € 8.608.908)	26,220,882		23,358,228
Treasury Stock	(339,890)		(185,293)
		25,880,992	23,172,935
II. Capital Surplus	290,225,565	290,225,565	155,339,472
III. Earnings Reserves			
Other earnings reserves	13,110,441	13,110,441	10,505,880
IV. Accumulated Income	17,222,134	17,222,134	3,114,618
		346,439,132	192,132,905
B. PROVISIONS			
1. Tax provisions	2,669,591		200,138
2. Other provisions	18,107,440		10,518,936
		20,777,031	10,719,074
C. LIABILITIES			
1. Bonds (thereof convertible EUR 298,602, prior year: EUR 73,607)	298,602		73,607
2. Trade accounts payable	984,296		805,065
3. Liabilities due to affiliated companies	138,515		195,779
4. Other liabilities (thereof due within one year EUR 1,099,369, prior year: EUR 567,640) (thereof for taxes EUR 777,195, prior year: EUR 450,081)	1,099,369		567,640
		2,520,782	1,642,091
D. DEFERRED INCOME	67,365,932	67,365,932	1,359,165
		437,102,877	205,853,235

Statement of Income from 1 January through 31 December 2013

		2013 EUR	2012 EUR
1.	Sales	76,134,520	52,922,829
2.	Cost of sales	(62,019,807)	(44,010,367)
3.	Gross profit on sales	14,114,713	8,912,462
4.	Selling expenses	(3,153,225)	(2,295,336)
5.	General administration expenses	(27,393,405)	(12,997,145)
6.	Other operating income	21,861,368	3,666,868
	thereof gain on exchange	121,639	93,441
7.	Other operating expenses	(883,556)	(153,376)
	thereof loss on exchange	(359,140)	(64,883)
8.	Income from Profit Pooling Agreements	3,272,480	3,242,228
9.	Income from other securities and loans presented under financial assets	517,386	476,220
10.	Loss from other securities and loans presented under financial assets	(41,750)	0
11.	Other interest and similar income	437,009	252,097
	thereof interest income from the deduction of accrued interest of non-current provisions	95,325	86,713
12.	Other Interest and similar expenses	(51,591)	(8,509)
	thereof interest expense from the addition of accrued interest of non-current provisions	(51,591)	(8,509)
13.	Result from ordinary activities	8,679,429	1,095,509
14.	Extraordinary income	14,282,757	0
15.	Extraordinary result	14,282,757	0
16.	Income tax	(3,570,478)	(382,415)
17.	Other taxes	(10,603)	(17,246)
18.	Net profit	19,381,105	695,848
19.	Loss carried forward	3,114,618	3,114,618
20.	Withdrawal from other earnings reserves	2,669,028	1,746,052
21.	Settlement with the difference from purchase of treasury stock	(2,669,028)	(1,746,052)
22.	Allocation to Other Earnings Reserves	(5,273,589)	(695,848)
23.	Accumulated Income	17,222,134	3,114,618

Notes to the Financial Statements

General Information

These annual financial statements were prepared in accordance with § 242 et seq. and § 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 (hereinafter referred to as the "Company") are listed for trading in the Prime Standard segment of the Official Market 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. Fiscal Year is the calendar year.

The registered office of the entity is at Lena-Christ-Straße 48, 85152 Martinsried/Planegg, Germany. The consolidated and individual financial statements of MorphoSys AG can be reviewed at this location.

Accounting and Valuation Principles

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

If acquired intangible assets are subject to depletion, they are amortized according to the straight-line method over the course of their expected useful lives. In-licensed research programs 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. 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 life. Low-value assets up to a value of € 150 are fully depreciated in the year of acquisition. Low-value assets with a value between € 150 and € 1,000 are depreciated according to the straight-line method over a period of five years that commences with the start of the year in which they were acquired in accordance with the tax regulations of the collective item.

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

Pursuant to § 256 HGB, inventories are measured according to the FIFO method. Inventories are not subject to any third party rights, with the exception of the customary retention of title.

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

Other securities are carried in accordance with § 253 para. 4 HGB at the lower of acquisition cost or fair value.

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

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

Capital subscribed is carried at its nominal value.

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

The liabilities are measured at the settlement amount. Liabilities denominated in foreign currencies are measured in accordance with § 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 the stock appreciation program with cash settlement introduced in October 2010, since this program constitutes a financial burden on the Company.

Provisions have been recognized on a pro rata basis for personnel expenses resulting from long-term incentive plans introduced on 1 June 2011, 1 April 2012, and 1 April 2013, since the repurchase of treasury shares for servicing the long-term incentive plan constitutes a financial burden on the Company. The nominal value of the shares repurchased is offset against the capital subscribed in accordance with § 272 para. 1a HGB, while the remaining amount of the total purchase price is offset against the other earnings reserves within equity.

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 § 252 para. 1 no. 4 HGB and the accrual-based method of § 250 para. 2 HGB based on the contract period. Upfront payments made at the time of the conclusion of a contract which grant access to MorphoSys technology (e.g. HuCAL or AutoCAL) 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 fulfillment of certain criteria. Service fees pertaining to research and development collaborations are recognized in the period the services were rendered.

For differences between the carrying amounts of assets, liabilities, accruals and deferrals prescribed by commercial law and their tax carrying amounts that are likely to diminish in subsequent financial years, any resulting total tax charge is recognized as a deferred tax liability in the balance sheet in accordance with § 274 HGB. Any resulting total tax relief is not recognized as deferred tax assets in the balance sheet pursuant to the option granted in § 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 relief 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 in the line item "Income tax."

All 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 on the balance sheet date pursuant to § 256a HGB. The Company did not recognize any non-current receivables or liabilities denominated in foreign currencies.

Notes to the Balance Sheet

FIXED ASSETS

The development of the line items included in fixed assets and the respective depreciation in the financial year is 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 € 150	Immediately	100%
Low-Value Laboratory and Office Equipment between € 150 and € 1,000	5 years	20%
Leasehold Improvements to Property/Buildings	10 years	10%
Office Equipment	8 years	13%
Laboratory Equipment	4 years	25%

INTANGIBLE ASSETS

Franchises, trademarks, patents, licenses, and similar rights and licenses to such rights amounted to € 19,962,340 as of 31 December 2013 (31 December 2012: €18,571,310). This included in-licensed assets amounting to € 12,807,800 (31 December 2012: €10,513.100) from an upfront payment of €10,513.100 for the in-licensing of a compound in the Proprietary Development segment. In 2013, a milestone payment made in the amount of € 2,294,700 was capitalized as subsequent acquisition costs. This asset was not yet subject to amortization in financial year 2013 as it was not yet usable, since this intangible asset is still tested for efficacy in clinical trials. On the reporting date, the asset was tested for impairment and no impairment need was identified.

Asset Class	Useful Life	Amortisation Rates
Franchises, trademarks, patents, licences, and similar rights and licences to such rights	8(10) years	10 % (13) %
Inlicensed Research Program	not yet subject for amortization	-
Software	3(5) years	20% or 33%

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

FINANCIAL ASSETS

As of 31 December 2013, the Company recorded shares in affiliated companies amounting to € 20,070,149 compared to € 52,088,594 on 31 December 2012. This amount includes the interests in Sloning BioTechnology GmbH of € 19,048,830 (31 December 2012: € 19,048,830), in MorphoSys IP GmbH of € 25,000 (31 December 2012: € 25,000), in Poole Real Estate Ltd. of € 988,278 (31 December 2012: € 988,278), and in MorphoSys USA, Inc. of € 8,041 (31 December 2012: € 8,041). The change in this balance sheet item resulted from the sale of the share in MorphoSys UK Ltd. to Bio-Rad on 10 January 2013 and a disposal of its carrying amount of € 32,018,445 (31 December 2012: € 32,018,445) as part of the sale of the AbD Serotec segment.

As of 31 December 2013, the Company held a share in the amount of € 1,726,633 (31 December 2012: € 881,633) in Lanthio Pharma B.V., a privately held company based in Groningen, in the Netherlands. The increase in comparison to the previous year resulted from a capital contribution to Lanthio Pharma B.V. in 2013. As of the balance sheet date of 31 December 2013, the Company continued to hold a 19.98 % interest in the share capital of Lanthio Pharma B.V. (31 December 2012: 19.98 %).

The equity investments are detailed in the following table.

	Currency	Exchange Rate on Dec 31, 2013 one Unit of Euro in Local Currency	Stake in %	Equity in domestic currency	Profit / Loss for the Year in domestic currency
Foreign					
MorphoSys USA, Inc., Charlotte, North Carolina, USA	US \$	1.37760	100.00	10,286	(1,139)
Poole Real Estate Ltd., Poole, UK	£	0.84481	100.00	796,699	(12,108)
Lanthio Pharma B.V., Groningen, the Netherlands	€	-	19.98	2,220,451	(1,575,827)
Domestic					
Sloning BioTechnology GmbH, Martinsried, Germany	€	-	100.00	8,760,576	2,222,398
MorphoSys IP GmbH, Martinsried, Germany	€	-	100.00	23,891	3,272,480

INVENTORIES

On the balance sheet date, inventories amounted to € 463,904 (31 December 2012: € 530,053), including raw materials, supplies, and production materials of € 265,701 (31 December 2012: € 331,850) and semi-finished goods of € 198,203 (31 December 2012: € 198,203).

TRADE ACCOUNTS RECEIVABLE

On 31 December 2013, MorphoSys AG reported trade accounts receivable in the amount of € 10,270,322 (31 December 2012: € 9,223,050). All trade accounts receivable are due within one year. Based on an assessment made by the Company's management, valuation allowances totaling € 238,900 were recognized in financial year 2013 (31 December 2012: € 43,518).

RECEIVABLES DUE FROM AFFILIATED COMPANIES

On 31 December 2013, receivables due from affiliated companies amounted to € 3,284,714 (31 December 2012: € 3,333,362). This included trade accounts receivable of € 4,674 (31 December 2012: € 76,014). On 20 November 2002, the Company concluded a control and profit transfer agreement with MorphoSys IP GmbH. Accordingly, the transfer of profits of MorphoSys IP GmbH in the amount of € 3,272,480 (31 December 2012: € 3,242,228) was agreed and was recognized as a receivable due from affiliated companies.

RECEIVABLES DUE FROM PARTICIPATIONS

In 2012, the Company recorded a receivable due from participations in the amount of € 30,000 in connection with the interest in the Lanthio Pharma B.V. In contrast, on 31 December 2013, there were no receivables from investments recorded at equity.

OTHER ASSETS

On 31 December 2013, other assets amounted to € 80,167,921 (31 December 2012: € 12,803,707).

On 31 December 2013, the Company held financial assets in the amount of € 77,361,849 that were recorded in other assets. This included various fixed deposits (€ 72,500,000) as well as an amount of € 4,682,363 of the purchase price for the divested AbD Serotec business partially held in an escrow account. Interest income of € 243,152 (31 December 2012: € 82,534) 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 the credit risk of the banks. In financial year 2013, there were no indications of impairment.

In 2012, MorphoSys had granted an interest-bearing, transferable loan of € 10,000,000 which was recorded as other receivables in other assets. This loan was sold in 2013.

According to the Group's hedging policy, highly probable future cash flows and clearly identifiable foreign currency receivables which are expected to be collected within a twelve-month period are reviewed for hedging requirements. These hedging transactions are recorded at acquisition cost in other receivables. In 2003, MorphoSys began to conclude foreign currency options and forward contracts to hedge its receivables denominated in the U.S. dollar and the British pound. On 31 December 2013, the Company did not hold any derivative financial instrument.

Rent security deposits of € 1,247,069 (31 December 2012: € 1,266,965), granted in previous years, were recognized separately and reported in other assets.

Other assets also contained a receivable due from the tax authorities from VAT paid in excess.

SECURITIES

Securities consisted of marketable securities in the amount of € 178,219,325 (31 December 2012: € 71,383,850), marketable bonds in the amount of € 11,096,992 (2012: € 0), and current commercial papers in the amount of € 41,959,799 (2012: € 0). In 2013, impairment for unrealized losses related to marketable bonds in the amount of € 41,750 was recognized in profit and loss.

CAPITAL SUBSCRIBED

On 31 December 2013, capital subscribed amounted to € 26,220,882 (31 December 2012: € 23,358,228), divided into 26,220,882 no-par value shares (31 December 2012: 23,358,228 shares). With the exception of the 339,890 (2012: 255,415 shares) treasury shares held by the Company, the shares entitle the bearers to vote and to receive dividends, with each share being entitled to one vote at the Annual General Meeting.

Capital subscribed increased by € 2,862,654 or 2,862,654 shares, mainly as a result of the newly created shares from the capital increase carried out in September 2013 (1,514,066 shares) and the purchase of MorphoSys shares by Celgene (797,150 shares). In addition, capital subscribed increased by € 551,438 in financial year 2013 through the exercise of 551,438 stock options granted to the Management Board and the Senior Management Group.

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

TREASURY SHARES

The Company's treasury stock is offset against the capital subscribed and developed as follows in financial year 2013.

	Number of Company Shares	Value of Capital Subscribed in €
Treasury Stock as of 1 January 2013	255,415	185,293
Adjustment of the Nominal Value of Prior Years' Treasury Stock in line with § 272 para. 1a HGB	-	70,122
Repurchase of Treasury Stock	84,475	84,475
Treasury Stock as of 31 December 2013	339,890	339,890

On 31 December 2013, treasury stock amounted to 1.30 % (31 December 2012: 0.79 %) of the capital subscribed.

In April and May of 2013, the Company repurchased 84,475 MorphoSys shares with a nominal value of € 1.00 each (0.32 % of the capital subscribed as at 31 December 2013) on the stock market and increased the amount of treasury stock accordingly. The treasury shares serve to create a long-term incentive program for management.

AUTHORIZED AND CONTINGENT CAPITAL

The Authorized Capital 2008-I, which had not yet been utilized, expired on 30 April 2013. On 31 December 2012, this capital served to create up to 8,864,103 new shares.

At the 2013 Annual General Meeting, a new Authorized Capital 2013-I was resolved, which will allow the issuance of up to 2,335,822 new shares. This authorization has not yet been utilized.

On 27, August 2013, a total of 797,150 shares were issued from "Authorized Capital 2012-II" as part of a cash capital increase in the context of the Celgene transaction. On 23 September 2013, a further 1,514,066 shares were issued from "Authorized Capital 2012-II" in the context of an additional cash capital increase. As a result, "Authorized Capital 2012-II" was fully utilized.

In 2013, a total of 551,438 shares were created from Conditional Capital V (2008-II) through employees' exercise of the same number of options. Thus, capital subscribed increased by a corresponding € 551,438.

In 2012, a total of 16,704 shares were created from Conditional Capital II bb (1999-I) through employees' exercise of the same number of options. Thus, capital subscribed increased by a corresponding € 16,704. In addition, 229,357 shares were created from Conditional Capital V (2008-II) through employees' exercise of the same number of options. Thus, capital subscribed increased by a € 229,357.

CAPITAL SURPLUS

In connection with the aforementioned capital increases, the capital surplus developed as follows.

	€
Status on 1 January 2013	155,339,472
Additions in Connection with Capital Increases	128,268,104
Additions in Connection with the Exercise of Options and Convertible Bonds	6,617,989
Status on 31 December 2013	290,225,565

On 31 December 2013, capital surplus amounted to € 290,225,565 (31 December 2012: € 155,339,472). The total increase of € 134,886,093 was primarily the result of the capital increase in September 2013 as well as in the context of the agreement with Celgene (€ 128,268,104). A further increase of € 6,617,989 resulted from the exercise of granted stock options.

EARNINGS RESERVES

On 31 December 2013, other earnings reserves amounted to € 13,110,441 (31 December 2012: € 10,505,880).

Taking into account the appropriation of the net income for financial year 2013, other earnings reserves developed as follows.

	€
Other earnings reserve as of 1 January 2013	10,505,880
Settlement with the difference from purchase of treasury stock	(2,669,028)
Allocation of net profit to other earnings reserves	5,273,589
Other earnings reserve as of 31 December 2013	13,110,441

In 2013, an amount of € 2,739,150 for the repurchase of treasury stock to service the long-term incentive program was offset against other earnings reserves. In addition, the nominal value of treasury stock repurchased in prior years was corrected by an amount of € 70,122 and offset in earnings reserves.

ACCUMULATED INCOME

Taking into account the appropriation of the net income for financial year 2013, accumulated income developed as follows.

	€
Accumulated Income as of 1 January 2013	3,114,618
Net Profit for the Year	19,381,105
Withdrawal from other earnings reserves	2,669,028
Settlement with the difference from purchase of treasury stock	(2,669,028)
Allocation to Other Earnings Reserves	(5,273,589)
Accumulated Income as of 31 December 2013	17,222,134

In accordance with the resolution of the Annual General Meeting, the accumulated income as of 31 December 2012 was carried forward.

In accordance with the authorization of MorphoSys's Articles of Association, the Supervisory Board and the Management Board resolved on 27 February 2014 to allocate a portion of the net profit of financial year 2013 to other earnings reserves up to the maximum amount of € 5,273,589.40 pursuant to § 58 para. 2 sent. 3 AktG and to allocate the residual portion of the net profit of € 14,107,516.09 to accumulated income.

In addition, the Supervisory Board and the Management Board unanimously resolved to propose to the 2014 Annual General Meeting that the accumulated income of € 17,222,133.94 be carried forward.

CONVERTIBLE BONDS

In financial year 2013, no convertible bonds were exercised and converted into shares. In 2013, 3,750 convertible bonds forfeited due to the departure of a beneficiary from MorphoSys. This beneficiary continues to hold 3,750 convertible bonds. Further information on this item may be found in the section “Related Parties” of the Notes.

2010 PROGRAM

On 1 April 2010, 352,800 convertible bonds were granted to members of the Management Board and members of the 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 issuance of the convertible bonds. Each convertible bond having a par value of € 0.33 entitles the conversion into one no-par value bearer share of the Group against payment of the exercise price. The beneficiaries may only exercise their conversion rights following a vesting period of four years beginning after the grant date. Exercise of the conversion rights is 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. After 31 December 2015, these convertible bonds can no longer be exercised. If the conversion rights are not exercised, the beneficiaries receive a reimbursement of the amount paid to acquire the conversion rights (€ 0.33 per convertible bond/share). Convertible bonds are recorded at their accreted value, which closely approximates to the principal amount on their due date.

2013 PROGRAM

On 1 April 2013, MorphoSys AG granted convertible bonds with equal rights in a total nominal value of € 225,000 and divided into 449,999 bearer bonds from “Conditional Capital 2008-III” to the Management Board and members of the Senior Management Group. The beneficiaries have the right to convert the bonds granted to them into shares of the Company. Each convertible bond may be exchanged for one of the Company's bearer shares equal to the proportional amount of common stock, which currently stands at € 1. The exercise of the convertible bonds is subject to several conditions; such as achieving performance targets, the expiration of a vesting period, the exercisability of the conversion rights, the existence of an employment or service contract which 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 share price of the Company has 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 can be vested in line with the above mentioned vesting scheme. Thus, upon rendition of the no-

tice, all conversion rights still unvested by this time will expire without substitution. In the event of a contractual notice of termination of such employment or service contract with the beneficiary, or a mutually agreed dissolution contract, the previous sentence applies and is effective as of the date of termination of the employment or service contract.

The following table shows the development of the convertible bond plans of the Company for employees in financial years 2013 and 2012.

	Convertible Bonds	Weighted- average Price €
Outstanding as of 1 January 2012	328,050	16.79
Granted	0	0.00
Exercised	0	0
Forfeited	(7,500)	16.79
Expired	0	0.00
Outstanding as of 31 December 2012	320,550	16.79
Outstanding as of 1 January 2013	320,550	16.79
Granted	449,999	31.88
Exercised		
Forfeited	(3,750)	16.79
Expired		
Outstanding as of 31 December 2013	766,799	25.65

There were no exercisable convertible bonds on 31 December 2013 and 31 December 2012.

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 31 December 2013.

Range of Exercise Prices	Number Outstanding	Remaining Contractual Life (in Years)	Weighted- average Exercise Price (€)	Number Exercisable	Weighted- average Exercise Price (€)
€ 10.00 - € 25.00	316,800	2.00	16.79	0	0.00
€ 25.01 - € 40.00	449,999	6.25	31.88	0	0.00
	766,799	4.50	25.65	0	0.00

STOCK OPTIONS

In the years 2013 and 2012, a total of 551,438 and 246,061 options were exercised, respectively. These included 384,312 options which were exercised by members of the Management Board.

On 31 December 2013 and 31 December 2012, there were 0 and 451,391 exercisable stock options, respectively.

The following table shows the development of the Company's stock option plans for employees in financial years 2013 and 2012.

	Shares	Weighted- average Price €
Outstanding as of 1 January 2012	797,502	13.31
Granted	0	0.00
Exercised	(246,061)	14.00
Forfeited	0	0.00
Expired	0	0.00
Outstanding as of 31 December 2012	551,441	13.00
Outstanding as of 1 January 2013	551,441	13.00
Granted	0	0.00
Exercised	(551,438)	13.00
Forfeited	0	0.00
Expired	(3)	12.80
Outstanding as of 31 December 2013	0	0.00

STOCK APPRECIATION RIGHTS

On 1 October 2010, employees of MorphoSys AG were granted 15,000 stock appreciation rights at the same conditions as the convertible bonds granted to the employees on 1 April 2010. Convertible bonds are settled via the physical transfer of shares, whereas stock appreciation rights are settled in cash. The closing price of the stock market appreciation rights was € 55.85 on 31 December 2013. Thus, compensation expenses amounted to € 449,420 in 2013, while the related non-current provision was € 579,259 on 31 December 2013 (31 December 2012: € 129,839). After 30 June 2016, these stock appreciation rights may no longer be exercised.

LONG-TERM INCENTIVE PROGRAMS

In 2013, the vesting periods of the LTI programs 2011 and 2012 were modified so that, for the LTI program 2011, the beneficiaries' claims become vested by one quarter on a yearly basis. However, in the case of the LTI program 2012, claims become vested on a pro rata basis. With this modification, changes in the interpretation and development of labor law were taken into account.

LONG-TERM INCENTIVE PROGRAM 2011

On 1 June 2011, MorphoSys established a 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 have been achieved.

These criteria are assessed and approved annually by the Supervisory Board. These key performance criteria presently consist of revenues, the EBIT, and the number of projects in the R&D portfolio.

The grant date was 1 June 2011 and the vesting period is four years. 25% 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 by 100%. The annual number of vested shares shall be reduced to the extent that the performance criteria of the relevant year have been fulfilled only between 50% and 99%, and increased to the extent that the performance criteria were met by more than 100% (maximum 110%). In consideration of these conditions, the ordinary shares of MorphoSys AG will be delivered to the beneficiaries after the four-year vesting period. 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". The Supervisory Board may depart from this factor, for example, if the level of payments was considered to be inappropriate given the general development of the Group.

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 within MorphoSys Group prematurely before expiration of the four year performance period, the Management Board member (or his/her 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 within MorphoSys Group for good reason within the meaning of Sec. 626 para. 2 of the German Civil Code (BGB) prematurely 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 course of the four-year vesting period, all performance shares are considered fully vested. In every above named case, the allocation of the performance shares only occurs at the end of the four-year vesting period.

In June 2011, MorphoSys repurchased 84,019 of its own shares on the stock exchange at an average price of € 20.79 per share for the LTI plan 2011. These 84,019 shares were granted to the beneficiaries retroactively on 1 June 2011. These included 53,997 shares for the Management Board and 30,022 shares for the Senior Management Group. The fair value of the performance shares was € 21.34 per share on the grant date (1 June 2011). In determining the fair value of the shares repurchased, no dividends were considered as the Group does not intend to distribute any dividends in the foreseeable future. Since the grant date until 31 December 2013, three beneficiaries have left MorphoSys and thus 5,326 performance shares forfeited.

In 2013, personnel expenses resulting from stock options under the 2011 LTI plan amounted to € 414,848 (2012: € 438,364).

LONG-TERM INCENTIVE PROGRAM 2012

On 1 April 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 have been achieved. These criteria are approved annually by the Supervisory Board.

The grant date was 1 April 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 shall be reduced to the extent that the performance criteria of the relevant year have been fulfilled only between 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 is regarded as unreasonable with regard to the general development of the Company. The right to receive a certain allocation of shares under the LTI plan, however, 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 within MorphoSys Group prematurely before expiration of the four year performance period, the Management Board member (or his/her 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 within MorphoSys Group for good reason within the meaning of Sec. 626 para. 2 of the German Civil Code (BGB) prematurely 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 course of the four-year vesting period, all performance shares are considered fully vested. In every above named case, 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. These 91,500 shares were granted to the beneficiaries retroactively on 1 April 2012. These included 57,967 shares for the Management Board and 33,533 shares for the Senior Management Group. The fair value of the performance shares was € 19.24 per share on the grant date (1 April 2012). In determining the fair value of the shares repurchased, no dividends were considered as the Group does not intend to distribute any dividends in the foreseeable future. Since the grant date until 31 December 2013, two beneficiaries have left MorphoSys and thus 4,289 performance shares forfeited.

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

In 2013, personnel expenses resulting from stock options under the 2012 LTI plan amounted to € 462,976 (2012: € 355,307).

LONG-TERM INCENTIVE PROGRAM 2013

On 01 April 2013, MorphoSys established a further 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 have been achieved. These criteria are evaluated annually by the Supervisory Board.

The grant date was 1 April 2013 and the vesting/performance period is four years. If the predefined key performance criteria for the respective period are met by 100%, 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 only been achieved between 50% and 99.9% (<100%) or that the achievement of the performance criteria has exceeded 100% (maximum 200%). If in one year the performance criteria are achieved by less than 50%, "0" 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, 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 within MorphoSys Group prematurely before expiration of the four year performance period, the Management Board member (or his/her 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 within MorphoSys Group for good reason within the meaning of Sec. 626 para. 2 of the German Civil Code (BGB) prematurely 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 course of the four-year vesting period, all performance shares are considered fully vested. In every above named case, 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 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 may be used for all purposes named in the authorization of the Annual General Meeting of 19 May 2011, 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 granted to the beneficiaries retroactively effective 1 April 2013. This included 36,729 shares for the Management Board and 24,871 shares for the Senior Management Group. The fair value of the performance shares was € 31.88 per share on the grant date (1 April 2013). In determining the fair value of the shares repurchased no dividends were considered as the Group does not intend to distribute any dividends in the foreseeable future. Since the grant date until 31 December 2013, no beneficiary has left MorphoSys and no performance shares have 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 1 October 2013, MorphoSys established a further long-term incentive plan (LTI plan) for members of the Senior Management Group. The terms of the plan were identical to the program of 1 April 2013. A total of 549 shares were granted and the fair value on the grant date was € 57.39 per share.

In 2013, personnel expenses resulting from stock options under the 2013 LTI plan amounted to € 389,091.

TAX PROVISIONS

As of 31 December 2013, MorphoSys recorded tax provisions of € 2,669,591 (31 December 2012: € 200,138). This increase is mainly due to the higher result from ordinary activities in 2013.

OTHER PROVISIONS

The provisions cover all identifiable risks and uncertain liabilities. They consisted mainly of expenses for third-party laboratory services (2013: € 6,758,692; 2012: € 2,890,416), bonus payments (2013: € 4,946,683; 2012: € 3,151,641), personnel expenses resulting from stock options under the LTI plan and stock appreciation rights (2013: € 2,718,582; 2012: € 1,045,981), consulting services (2013: € 661,381; 2012: € 311,408), license and inventor's remuneration (2013: € 512,099; 2012: € 1,111,059), outstanding vacation entitlements (2013: € 385,000; 2012: € 382,000), and legal advice (2013: € 254,650; 2012: € 355,614).

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	12/31/2013 EUR	12/31/2012 EUR
1. Bonds, thereof convertible	0	298,602	0	298,602	73,607
2. Trade accounts payable	984,296	0	0	984,296	805,065
3. Liabilities due to affiliated companies	138,515	0	0	138,515	195,779
4. Other Liabilities	1,099,369	0	0	1,099,369	567,640
Of which Taxes	777,195	0	0	777,195	450,081

BONDS

On 31 December 2013, the Company had liabilities in connection with the grant of convertible bonds to the Management Board and employees of MorphoSys AG amounting to € 298,602 (31 December 2012: € 73,607).

TRADE ACCOUNTS PAYABLE

As of 31 December 2013 MorphoSys recorded trade accounts payable in the amount of € 984,296 (31 December 2012: € 805,065).

LIABILITIES DUE TO AFFILIATED COMPANIES

Liabilities due to affiliated companies totaled € 138,515 on 31 December 2013 (31 December 2012: € 195,779) and includes trade accounts payable in the amount of € 138,016 (31 December 2012: € 186,845).

OTHER LIABILITIES

Other liabilities included primarily liabilities to the tax authorities for the payment of income tax in the amount of € 777,195 (31 December 2012: € 450,081), as well as debtors with credit balances of € 207,753 (31 December 2012: € 76,214).

DEFERRED INCOME

Deferred income consists of the deferred revenue for payments received from customers for which the service was not yet rendered.

In the years 2013 and 2012, deferred income developed as follows.

in €	12/31/2013	12/31/2012
Opening Balance	1,359,165	1,186,590
Prepayments Received in 2013	88,888,544	18,526,219
Revenue Recognised through Release of Prepayments in line with Services Performed in 2013	(22,468,178)	(18,353,644)
Disposal due to Sale of Assets and Liabilities to Bio-Rad	(413,599)	0
Closing Balance	67,365,932	1,359,165

OTHER FINANCIAL OBLIGATIONS

The following overview shows other financial obligations from rental and lease agreements, insurances, and other services as of 31 December 2013.

in 000's €	Rent and Leasing	Other	Total
2014	2,536	830	3,366
2015	1,641	8	1,649
2016	1,049	19	1,068
2017	0	0	0
2018	0	0	0
more	0	0	0
Total	5,226	857	6,083

Further payment obligations may result in the future from the interest in Lanthio Pharma B.V. depending on the achievement of defined goals.

Furthermore, the following future payments may become due from currently active, terminable contracts for outsourced studies. However, these amounts may be substantially lower due to the respective contractual clauses in the event of the study's premature termination.

in 000's €	Total 2013
Up to one year	18,612
Between one year and five years	17,950
More than five years	0
Total	36,562

Contingent liabilities do not exist presently.

Notes to the Statement of Income

SALES

Sales in financial year 2013 increased 44% to € 76,134,520 (2012: € 52,922,829) compared to the prior year. This increase was primarily a result of the out-licensing of the MOR103 antibody program to GlaxoSmithKline as well as licensing income in connection with the sale of the AbD Serotec segment to Bio-Rad. As part of this sale, a non-exclusive license for the use of the HuCAL technology in the market for research reagents and diagnostics was also transferred to Bio-Rad. The increase also resulted from the global agreement with Celgene Corporation to jointly develop the cancer program MOR202 and carry out co-promotion in Europe.

In financial year 2013, the majority of sales were generated as part of the antibody collaborations and licensing agreements with Novartis, GlaxoSmithKline, and Bio-Rad. Sales of the Partnered Discovery and Proprietary Development segments contributed € 49,316,918 and € 26,739,361 respectively to total sales in the year 2013 (2012: € 42,930,863 and € 6,988,717, respectively). Sales amounting to € 78,242 were not allocated to any segment (2012: € 3,045,874) because they stemmed either from transactions between affiliated companies or from the former AbD Serotec segment. In 2012, inter-segment sales of € 42,625 were eliminated within the Partnered Discovery and AbD Serotec segments.

Domestic sales amounted to € 33,328 (2012: € 283,695) of total sales, and sales with biotechnology and pharmaceutical companies as well as non-profit organizations based in North America amounted to € 6,918,146 (2012: € 2,125,270). Sales of € 69,183,047 (2012: € 50,492,459) were generated in the rest of Europe and in Asia. In 2012, sales achieved in other countries amounted to € 21,405 (2013: € 0).

COST OF SALES

Cost of sales of € 62,019,807 (2012: € 44,010,367) included research and development costs comprised of personnel expenses of € 29,751,488 (2012: € 19,723,376), costs for third-party services of € 15,696,307 (2012: € 8,385,136), costs related to intangible assets of € 8,339,393 (2012: € 8,110,696), material costs of € 2,156,863 (2012: € 2,101,743), infrastructure costs of € 3,661,729 (2012: € 4,107,989), and other costs of € 2,414,028 (2012: € 1,581,427). The increase in personnel expenses is mainly due to the taxation of non-cash benefits of employees from the exercise of stock options (see also the explanations on "Personnel Expenses"). Costs for external services mainly increased due to higher investments into external laboratory funding in connection with MorphoSys's proprietary product development activities. In 2013, an impairment charge was recognized in the Proprietary Development segment for licenses for concessions, intellectual property rights, and similar rights and assets in the amount of € 747,155. Furthermore, unscheduled depreciation of € 10,212 for property, land rights, and buildings as well as unscheduled amortization of € 12,714 for software that is no longer in use was recognized in 2013. In 2012, unscheduled depreciation of € 178,424 was recognized essentially for laboratory equipment which was no longer of use in connection with the completion of clinical trials for the proprietary HuCAL antibody program MOR103.

SELLING EXPENSES

Selling expenses of € 3,153,225 (2012: € 2,295,336) comprised personnel expenses of € 1,963,785 (2012: € 1,552,314), costs for third-party services of € 818,995 (2012: € 218,431) as well as other costs of € 370,445 (2012: € 524,590).

GENERAL ADMINISTRATION EXPENSES

General administration expenses of € 27,393,405 (2012: € 12,997,145) mainly include personnel expenses of € 17,093,623 (2012: € 7,492,095), costs for third-party services of € 7,091,590 (2012: € 2,699,565), costs for infrastructure of € 1,208,449 (2012: € 1,377,512), costs related to intangible assets of € 1,093,197 (2012: € 642,623), as well as other costs of € 906,546 (2012: € 785,348). The increase in personnel expenses is mainly due to the taxation of non-cash benefits of employees resulting from the exercise of stock options (see also the explanations on "Personnel Expenses"). In 2013, costs for external services included selling costs in connection with the sale of substantially all of the AbD Serotec segment in the amount of € 1,816,324. A further increase was caused by legal and consulting fees in connection with the outlicensing of the proprietary programs MOR103 and MOR202.

PERSONNEL EXPENSES

Personnel expenses of € 48,808,896 (2012: € 28,699,863) consist of wages and salaries of € 42,939,971 (2012: € 23,476,876), social security contributions of € 2,754,628 (2012: € 3,020,863), personnel expenses resulting from stock options under the LTI plan and stock appreciation rights of € 1,716,336 (2012: € 873,047), pension costs of € 540,485 (2012: € 483,348), costs for external support staff/temporary employees of € 646,748 (2012: € 424,489), and other costs of € 210,728 (2012: € 421,240). In 2013, other personnel expenses mainly included expenses for recruitment, which was also the case in 2012.

The increase in wages and salaries is primarily due to the taxation of non-cash benefits of employees from the exercise of over 500,000 MorphoSys AG stock options (2012: 160,000 stock options). MorphoSys carries out the taxation of this non-cash benefit for active employees; however, the tax must be refunded by the employees to MorphoSys. For the technical execution of this taxation via the payroll, the assessment base must be recognized in personnel expenses. In terms of accounting, this expense is accompanied by other operating income in the amount of the assessment base and the resulting attributable taxes (see also the chapter "Other operating income"). In 2013, this figure amounted to € 19,222,228 and in 2012 it totaled € 949,235. The increase in the assessment base in 2013 compared to the previous year was due to the higher number of stock options exercised and the increase in the share price.

The increase in personnel expenses resulting from stock options under the LTI plan and stock appreciation rights in the amount of € 843,289 is attributable to the grant of new performance shares from the 2013 LTI plan as well as higher personnel expenses from a share-price related revaluation related to stock appreciation rights.

MATERIAL EXPENSES

Material expenses of € 2,188,462 (2012: € 2,188,779) related primarily to expenses for raw materials, supplies, and production materials of € 2,116,953 (2012: € 2,092,859) and € 12,702 (2012: € 79,637) for printed material. In the years 2013 and 2012, material costs did not contain any purchased services.

OTHER OPERATING INCOME

Other operating income amounted to € 21,861,368 compared to € 3,666,868 in 2012. This amount included € 19,352,457 (2012: € 1,079,464) in refunds of paid taxes as well as the correction of the assessment base for the taxation of non-cash benefits (see also the explanations on "Personnel Expenses"). Moreover, this amount included management services in the amount of € 21,048 (2012: € 408,279) passed on to affiliated companies and personnel expenses passed on for orders, which were rendered by an affiliated company. Furthermore, other operating income included government grants in the amount of € 208,568 (2012: € 276,819), income related to prior periods of € 1,720,650 (2012: € 1,765,837), and currency gains of € 121,639 (2012: € 93,441).

OTHER OPERATING EXPENSES

Other operating expenses amounted to € 883,556 (2012: € 153,376) and consisted primarily of currency losses in the amount of € 359,140 (2012: € 64,883), valuation allowances of receivables totaling € 238,900 (2012: € 0), as well as losses from currency hedging of € 33,269 (2012: € 40,870).

INCOME FROM PROFIT TRANSFER AGREEMENTS

Profits of € 3,272,480 (2012: € 3,242,228) were transferred from MorphoSys IP GmbH, Martinsried, to MorphoSys AG, Martinsried, due to a control and profit transfer agreement (in force since 20 November 2002).

INCOME FROM OTHER SECURITIES AND LOANS PRESENTED UNDER FINANCIAL ASSETS

Income from other securities and loans presented in financial assets in the amount of € 517,386 (2012: € 476,220) included realized gains on marketable securities in the amount of € 517,386 (2012: € 476,220).

LOSSES FROM OTHER SECURITIES AND LOANS PRESENTED UNDER FINANCIAL ASSETS

Losses from other securities and loans presented under financial assets in the amount of € 41,750 (2012: € 0) included unrealized losses from the measurement of marketable bonds in the amount of € 41,750 (2012: € 0).

OTHER INTEREST AND SIMILAR INCOME

This item amounting to € 437,009 (2012: € 252,097) mainly consisted of interest income from bank deposits in the amount of € 341,684 (2012: € 161,424) and interest income of € 95,325 from the discounting of non-current provisions for personnel expenses resulting from stock options under the LTI plan (2012: € 86,713). Interest income from bank deposits in 2013 included interest amounting to € 273,207 from financial investments that were classified as other assets (2012: € 82,533).

INTEREST AND SIMILAR EXPENSES

In comparison to the previous year, interest expenses amounted to € 51,591 (2012: € 8,509). This interest expense resulted from the addition of accrued interest for non-current provisions for personnel expenses resulting from stock options under the LTI plan.

EXTRAORDINARY RESULT

The extraordinary result amounted to € 14,282,757 (2012: € 0) and resulted from the sale of the share in MorphoSys UK Ltd. including its subsidiaries to Bio-Rad and the transfer of additional assets and liabilities of MorphoSys AG to Bio-Rad in the context of the sale of the AbD Serotec segment for € 46,823,629 in cash. After the deduction of selling costs in the amount of € 1,816,324, the gain on the sale amounted to € 12,466,433. The transaction resulted in an income tax expense of € 358,159.

At the end of 2012, MorphoSys had announced the sale of substantially all of the AbD Serotec segment to Bio-Rad. The closing of the transaction was contingent upon the fulfilment of certain conditions which were met on 10 January 2013 (closing date). Hence, substantially all of the AbD Serotec segment was sold as of this date.

INCOME TAXES

In 2013, income tax expenses amounted to € 3,570,478 compared to € 382,415 in 2012. The increase was mainly due to the higher result from ordinary activities in 2013.

The extraordinary result incurred income tax expenses in the amount of € 358,159, while an expense of € 3,212,319 was attributable to ordinary activities.

Differences between commercial law and tax law provisions 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 26.33 %. 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 § 274 para. 1 sent. 2 HGB. The deferred differences as of 31 December in 2013 and 31 December 2012 resulted from temporary differences from the impairment of shares in affiliated companies in the commercial balance sheet, from the different recognition of additional acquisition costs for purchased franchises, trademarks, patents, licences, and similar rights and licences to such rights, and from the recognition of other provisions. Additionally, a fiscal balancing item in connection with other securities caused temporary differences in 2013 between the commercial and tax balance sheet. These differences would have led to deferred tax assets. On 31 December 2013 and 2012 no deferred differences existed which would have led to deferred tax liabilities. Accordingly the profit and loss statement for the fiscal years 2013 and 2012 did not include any tax effect from the change of recognized deferred taxes.

As of 31 December 2013 and 31 December 2012, MorphoSys AG had no tax loss carryforwards.

Other Information

SUPERVISORY BOARD

On 31 December 2013, the Supervisory Board members of the Company 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	Independent Management Consultant in the Biotechnology and Health Industry	Member since 1999 Chairman Chairman of the Remuneration & Nomination Committee	Illumina, Inc., USA (Director) Invendo Medical GmbH, GER (Chairman) 4sigma Inc., BM (Chairman) Adrenomed AG, GER (Director) Definiens AG, Germany (Chairman) Genticel SA, FR (Director)
Dr. Walter A. Blättler Brookline, Massachusetts, USA Year of Birth: 1949	Vice President, Development CoStim Pharmaceuticals, Inc., USA	Member since 2007 Member Chairman of the Science & Technology Committee	Currently no other mandates
Dr. Daniel Camus Genf, Switzerland Year of Birth: 1952	CFO The Global Fund, Switzerland	Member since 2002 Member Chairman of the Audit Committee	Cameco Corp., CA (Director) SGL Group SE, GER (Supervisory Board Member) Valéo SA, FR (Supervisory Board Member) Vivendi SA, FR (Supervisory Board Member)
Dr. Marc Cluzel Paris, France Year of Birth: 1955	Founder and Consultant C&F Consulting, France	Member since 2012 Member Member of the Science & Technology Committee Member of the Remuneration & Nomination Committee	Currently no other mandates
Karin Eastham Rancho Santa Fe, California, USA Year of Birth: 1949	Independent Member of the Management Board n/a	Member since 2012 Member Member of the Audit Committee Member of the Remuneration & Nomination Committee (since July 2013)	Illumina, Inc., USA (Director) Geron Inc., USA (Director) Veracyte, Inc., USA (Member)
Dr. Geoffrey Vernon Devon, UK Year of Birth: 1952	CEO and Chairman at Ziggus Holdings Ltd., UK	Member since 1998 Member Member of the Audit Committee	Veryan Medical Ltd., UK (Chairman) XL TechGroup, Inc., USA (Chairman) Ziggus Holdings Ltd., UK (Chairman) Cornwall Farmers Ltd., UK (Deputy Chairman)

CORPORATE GOVERNANCE

In July 2013, the Company became committed to the corporate governance principles in compliance with the provisions of the German Corporate Governance Code, which has been amended.

On 6 December 2013, the Company published the Declaration of Conformity of the Management Board and Supervisory Board pursuant to § 161 AktG and made it permanently available to its shareholders. This declaration may be found on Company's website (www.morphosys.com).

MANAGEMENT BOARD

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

Jens Holstein, Business Administration graduate, Munich, 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 have no mandates on the supervisory boards of other publicly listed companies. However, Dr. Moroney is a Member of the Supervisory Board of ProtAffin AG, Graz, Austria. Dr. Sproll is a Member of the Supervisory Board of Lanthio Pharma B.V., Groningen, the Netherlands. These activities were approved by the Supervisory Board.

TOTAL REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The remuneration of the Management Board and the Supervisory Board are comprised of fixed and variable components as well as other remuneration. If there is no reappointment 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-competition agreement. During this time, the Management Board member is entitled to a compensation payment amounting to 100% of the contractual fixed remuneration. In 2013, the total remuneration of the Supervisory Board, excluding reimbursement for travel costs, amounted to € 458,280 (2012: € 478,197).

The following tables show the remuneration of the Management Board and the Supervisory Board in detail.

MANAGEMENT BOARD REMUNERATION FOR THE YEAR 2013:

	Fixed Compensation		Short-term Incentive Compensation	Long-term Incentive Compensation (Target Attainment Depends on Company Goals) ¹			Total Compensation ²
	Base Salary in €	Other Compensatory Benefits in €	Variable Compensation in €	No. of Performance Shares Granted	No. of Convertible Bonds Granted	Personal Expenses Regarding Stock-Based Compensation 2013	in €
Dr. Simon E. Moroney	412,049	179,353 ³	360,543	12,024	88,386	262,433	1,214,378
Jens Holstein	279,531	106,315 ⁴	244,590	8,235	90,537	179,749	810,185
Dr. Arndt Schottelius	279,531	107,437 ⁵	244,590	8,235	60,537	179,749	811,307
Dr. Marlies Sproll	279,531	99,749 ⁶	244,590	8,235	60,537	179,749	803,619
Total	1,250,642	492,854	1,094,313	36,729	299,997	801,680	3,639,489

1 The remuneration with a long-term incentive effect is dependent upon the achievement of the company objectives. This remuneration is presented in an amount which corresponds to the past financial year.

2 The total remuneration shown for 2013 includes the respective bonus accruals for 2013 which will be paid out in February 2014.

3 Includes 112,221 € in contributions to individual pension plans and allowances for insurances

4 Includes 78,177 € in contributions to individual pension plans and allowances for insurances

5 Includes 78,294 € in contributions to individual pension plans and allowances for insurances

6 Includes 78,170 € in contributions to individual pension plans and allowances for insurances

MANAGEMENT BOARD REMUNERATION FOR THE YEAR 2012:

	Fixed Compensation		Short-term Incentive Compensation	Long-term Incentive Compensation (Target Attainment Depends on Company Goals) ¹	Incentive Compensation	Total Compensation ²
	Base Salary in €	Other Compensatory Benefits in €	Variable Compensation in €	No. of Performance Shares Granted	Personal Expenses Regarding Stock-Based Compensation 2012	in €
Dr. Simon E. Moroney	401,980	139,555 ³	226,689	18,976	168,288	936,512
Jens Holstein	271,867	129,836 ⁴	176,890	12,997	115,266	693,859
Dr. Arndt Schottelius	272,700	103,841 ⁵	164,155	12,997	115,266	655,962
Dr. Marlies Sproll	272,700	96,609 ⁶	162,653	12,997	115,266	647,229
Total	1,219,247	469,841	730,387	57,967	514,087	2,933,562

1 The remuneration with a long-term incentive effect is dependent upon the achievement of the company objectives. This remuneration is presented in an amount which corresponds to the past financial year.

2 The total remuneration shown for 2012 includes the respective bonus accruals for 2012 which were paid out in February 2013.

3 Includes 109.882 € in contributions to individual pension plans and allowances for insurances

4 Includes 72.999 € in contributions to individual pension plans and allowances for insurances

5 Includes 76.898 € in contributions to individual pension plans and allowances for insurances

6 Includes 76.789 € in contributions to individual pension plans and allowances for insurances

SUPERVISORY BOARD REMUNERATION FOR THE YEARS 2013 AND 2012:

Supervisory Board	Fixed Compensation		Variable Compensation		Total Compensation	
	2013	2012	2013	2012	2013	2012
Dr. Gerald Möller	94,400	94,400	32,000	37,000	126,400	131,400
Dr. Walter Blättler	43,160	43,160	17,000	21,500	60,160	64,660
Dr. Daniel Camus	43,160	41,939	19,500	23,500	62,660	65,439
Dr. Marc Cluzel	46,160	27,116	23,500	19,000	69,660	46,116
Karin Eastham	40,160	23,591	22,500	15,000	62,660	38,591
Dr. Geoffrey N. Vernon	57,240	51,549	19,500	22,000	76,740	73,549
Prof. Dr. Jürgen Drews*	0	26,264	0	9,500	0	35,764
Dr. Metin Colpan*	0	16,678	0	6,000	0	22,678
Total	324,280	324,697	134,000	153,500	458,280	478,197

* Retired from the Supervisory Board of MorphoSys AG on 31 May 2012

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

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

Shares	01/01/2013	Additions	Sales	12/31/2013
Management Board				
Dr. Simon E. Moroney	419,885	191,445	158,445	452,885
Jens Holstein	6,500	0	0	6,500
Dr. Arndt Schottelius	2,000	90,000	90,000	2,000
Dr. Marlies Sproll	7,105	102,867	82,602	27,370
Total	435,490	384,312	331,047	488,755
Supervisory Board				
Dr. Gerald Möller	7,500	1,500	0	9,000
Dr. Walter Blättler	2,019	0	0	2,019
Dr. Daniel Camus	0	0	0	0
Dr. Marc Cluzel	0	0	0	0
Karin Eastham	0	1,000	0	1,000
Dr. Geoffrey N. Vernon	0	0	0	0
Total	9,519	2,500	0	12,019

Stock Options	01/01/2013	Additions	Forfeitures	Exercises	12/31/2013
Management Board					
Dr. Simon E. Moroney	191,445	0	0	191,445	0
Jens Holstein	0	0	0	0	0
Dr. Arndt Schottelius	90,000	0	0	90,000	0
Dr. Marlies Sproll	102,867	0	0	102,867	0
Total	384,312	0	0	384,312	0

Convertible Bonds	01/01/2013	Additions	Forfeitures	Exercises	12/31/2013
Management Board					
Dr. Simon E. Moroney	58,800	88,386	0	0	147,186
Jens Holstein	0	90,537	0	0	90,537
Dr. Arndt Schottelius	33,000	60,537	0	0	93,537
Dr. Marlies Sproll	33,000	60,537	0	0	93,537
Total	124,800	299,997	0	0	424,797

Performance Shares	01/01/2013	Additions	Forfeitures	Exercises	12/31/2013
Management Board					
Dr. Simon E. Moroney	36,652	12,024	0	0	48,676
Jens Holstein	25,104	8,235	0	0	33,339
Dr. Arndt Schottelius	25,104	8,235	0	0	33,339
Dr. Marlies Sproll	25,104	8,235	0	0	33,339
Total	111,964	36,729	0	0	148,693

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

RELATED PARTIES

On 31 December 2013, the Senior Management Group did not hold any stock options (31 December 2012: 150,026 units), but held 300,002 convertible bonds (31 December 2012: 180,000 units), 15,000 share appreciation rights (SARs) (31 December 2012: 15,000 units) and 77,558 performance shares (31 December 2012: 63,184 units), which were granted by the Company. In 2013, an additional long-term incentive program as well as an additional convertible bond program were issued to the Senior Management Group. As part of these programs, the Senior Management Group was granted 25,420 performance shares and 150,002 convertible bonds. 150,026 of the stock options were exercised in 2013. During the same period, no convertible bonds or stock appreciation rights were exercised. In 2013, 11,045 performance shares and 3,750 convertible bonds forfeited due to the departure of beneficiaries from MorphoSys. These individuals continue to hold 26,250 convertible bonds.

REMUNERATION OF THE AUDITOR

At the Company's Annual General Meeting in June 2013, the Supervisory Board was given the authorization to appoint PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft (PwC AG), Munich, as the auditor.

In financial year 2013, PwC AG received remuneration from MorphoSys totaling € 372,277, including audit fees in the amount of € 319,132, fees for other auditing and valuation services in the amount of € 26,591, tax advisory services in the amount of €10,400, as well as fees for other services in the amount of € 16,154.

HUMAN RESOURCES

On 31 December 2013, MorphoSys AG engaged a total of 295 employees (31 December 2012: 312) in addition to the four Management Board members and ten trainees.

Of these 295 employees, 251 were employed in research and development, and 44 in sales, general and administration (31 December 2012: 2012: 254 in R&D and 58 in sales, general and administration). In financial year 2013, the average number of employees was 286 (2012: 311). Of the average workforce in 2013 of 286 employees, 242 were employed in research and development and 44 employees worked in sales, general and administration.

The 295 employees at 31 December 2013 were divided into 19 senior executives (31 December 2012: 14) and 276 non-executives (31 December 2012: 298).

DIVIDENDS

In accordance with the resolution of the Annual General Meeting, the accumulated income as of 31 December 2012 was carried forward. In accordance with the authorization of MorphoSys's Articles of Association (Section 21, para. 3), the Supervisory Board and the Management Board unanimously resolved to allocate a portion of the net profit of financial year 2013 to other earnings reserves up to the maximum amount pursuant to § 58 para. 2 sent. 3 AktG and to allocate the residual portion of the net profit to accumulated income. In addition, the Supervisory Board and the Management Board unanimously resolved to propose to the 2014 Annual General Meeting that the accumulated income as per 31 December 2013 be carried forward. As is common practice in the biotechnology industry, MorphoSys does not anticipate paying a dividend in the foreseeable future. The profit generated should be largely reinvested in the operating business, especially in the area of proprietary drug development in order to create additional shareholder value and open up opportunities for growth.

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

The company received the following information regarding voting rights notifications pursuant to § 21 WpHG (as of 31 December 2013):

JPMORGAN, NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG ON 27 FEBRUARY 2013

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): JPMorgan Chase & Co, New York, NY, 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: 20 February 2013
6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 892,378
 Amount of voting rights in % indirect: 3.82 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2
 Total amount of voting rights: 892,378
 Total amount of voting rights in %: 3.82 %
8. Name of shareholder(s) holding directly 3 % voting rights or more which are attributed to the notifier: Perceptive Life Sciences Master Fund Ltd.

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): J.P. Morgan Broker-Dealer Holdings Inc., New York, NY, 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: 20 February 2013
6. Voting rights:
 ISIN of shares: DE0006632003

Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 892,378
 Amount of voting rights in % indirect: 3.82 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2
 Total amount of voting rights: 892,378
 Total amount of voting rights in %: 3.82 %
 8. Name of shareholder(s) holding directly 3 % voting rights or more which are attributed to the notifier:
 Perceptive Life Sciences Master Fund Ltd.

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): J.P. Morgan Securities LLC, New York, NY, 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: 20 February 2013
 6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 892,378
 Amount of voting rights in % indirect: 3.82 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2
 Total amount of voting rights: 892,378
 Total amount of voting rights in %: 3.82 %
 8. Name of shareholder(s) holding directly 3 % voting rights or more which are attributed to the notifier:
 Perceptive Life Sciences Master Fund Ltd.

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): J.P. Morgan Clearing Corp., Brooklyn, NY, 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: 20 February 2013
 6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 892,378
 Amount of voting rights in % indirect: 3.82 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG
 Total amount of voting rights: 892,378
 Total amount of voting rights in %: 3.82 %
 8. Name of shareholder(s) holding directly 3 % voting rights or more which are attributed to the notifier:
 Perceptive Life Sciences Master Fund Ltd.

JPMORGAN, NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG ON 27 FEBRUARY 2013

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): JPMorgan Chase & Co, 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 February 2013

6. Voting rights:

ISIN of shares: DE0006632003

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 0

Amount of voting rights in % indirect: 0.00 %

Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2

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): J.P. Morgan Broker-Dealer Holdings Inc., 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 February 2013

6. Voting rights:

ISIN of shares: DE0006632003

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 0

Amount of voting rights in % indirect: 0.00 %

Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2

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): J.P. Morgan Securities LLC, 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 February 2013

6. Voting rights:

ISIN of shares: DE0006632003

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 0

Amount of voting rights in % indirect: 0.00 %

Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2

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): J.P. Morgan Clearing Corp., Brooklyn, 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 February 2013

6. Voting rights:

ISIN of shares: DE0006632003

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 0

Amount of voting rights in % indirect: 0.00 %

Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG

Total amount of voting rights: 0

Total amount of voting rights in %: 0.00 %

JPMORGAN, NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG ON 8 MARCH 2013

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): JPMorgan Chase & Co, New York, NY, 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: 5 March 2013
 6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 919,440
 Amount of voting rights in % indirect: 3.94 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2
 Total amount of voting rights: 919,440
 Total amount of voting rights in %: 3.94 %
 8. Name of shareholder(s) holding directly 3 % voting rights or more which are attributed to the notifier: Perceptive Life Sciences Master Fund Ltd.

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): J.P. Morgan Broker-Dealer Holdings Inc., New York, NY, 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: 5 March 2013
 6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 919,440
 Amount of voting rights in % indirect: 3.94 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2
 Total amount of voting rights: 919,440
 Total amount of voting rights in %: 3.94 %
 8. Name of shareholder(s) holding directly 3 % voting rights or more which are attributed to the notifier: Perceptive Life Sciences Master Fund Ltd.

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): J.P. Morgan Securities LLC, New York, NY, 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: 5 March 2013
 6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 919,440
 Amount of voting rights in % indirect: 3.94 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2
 Total amount of voting rights: 919,440
 Total amount of voting rights in %: 3.94 %
 8. Name of shareholder(s) holding directly 3 % voting rights or more which are attributed to the notifier: Perceptive Life Sciences Master Fund Ltd.

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): J.P. Morgan Clearing Corp., Brooklyn, NY, 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: 5 March 2013
6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 919,440
 Amount of voting rights in % indirect: 3.94 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG
 Total amount of voting rights: 919,440
 Total amount of voting rights in %: 3.94 %
8. Name of shareholder(s) holding directly 3 % voting rights or more which are attributed to the notifier: Perceptive Life Sciences Master Fund Ltd.

JPMORGAN, NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG ON 11 MARCH 2013

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): JPMorgan Chase & Co, 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: 7 March 2013
 6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 23,174
 Amount of voting rights in % indirect: 0.10 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2
 Total amount of voting rights: 23,174
 Total amount of voting rights in %: 0.10 %
-
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): J.P. Morgan Broker-Dealer Holdings Inc., 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: 7 March 2013
 6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 23,174
 Amount of voting rights in % indirect: 0.10 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2
 Total amount of voting rights: 23,174
 Total amount of voting rights in %: 0.10 %
-
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): J.P. Morgan Securities LLC, 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: 7 March 2013

6. Voting rights:

ISIN of shares: DE0006632003

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 23,174

Amount of voting rights in % indirect: 0.10 %

Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2

Total amount of voting rights: 23,174

Total amount of voting rights in %: 0.10 %

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): J.P. Morgan Clearing Corp., Brooklyn, 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: 7 March 2013

6. Voting rights:

ISIN of shares: DE0006632003

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 23,174

Amount of voting rights in % indirect: 0.10 %

Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG

Total amount of voting rights: 23,174

Total amount of voting rights in %: 0.10 %

PERCEPTIVE, NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG ON 19 MARCH 2013

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): Perceptive Advisors LLC, New York, NY, 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 January 2011

6. Voting rights:

ISIN of shares: DE0006632003

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 698,364

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: 698,364

Total amount of voting rights in %: 3.05 %

8. Name of shareholder holding directly 3 % voting rights or more which are attributed to the notifier: Perceptive Life Sciences Master Fund, Ltd.

1. Details of listed company:

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

2. Details of the person subject to the notification obligation (notifier): Joseph Edelman, 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 January 2011
 6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 698,364
 Amount of voting rights in % indirect: 3.05 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
 Total amount of voting rights: 698,364
 Total amount of voting rights in %: 3.05 %
 8. Name of shareholder holding directly 3 % voting rights or more which are attributed to the notifier:
 Perceptive Life Sciences Master Fund, Ltd.

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): Perceptive Life Sciences Master Fund, Ltd., New York, NY, 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 January 2011
 6. Voting rights:
 ISIN of shares: DE0006632003
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights direct: 698,364
 Amount of voting rights in % direct: 3.05 %
 Total amount of voting rights: 698,364
 Total amount of voting rights in %: 3.05 %

**CORRECTION FROM MORGAN STANLEY REGARDING NOTIFICATION PURSUANT TO SECTION 21
 PARA 1 WPHG ON 16 AUGUST 2012**

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): Morgan Stanley, Wilmington, Delaware, 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 %
 5. Date on which the threshold is crossed or reached: 9 August 2012
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification:
 Total amount of voting rights in %: below 3 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 1.450.691
 Amount of voting rights in % indirect: 6.24 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG
 Total amount of voting rights: 1.450.691
 Total amount of voting rights in %: 6.24 %
 7. Name of controlled undertakings: Morgan Stanley & Co LLC, Morgan Stanley Domestic Holdings Inc, Morgan Stanley Capital Management LLC

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): Morgan Stanley Capital Management LLC, Wilmington, Delaware, 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 %

5. Date on which the threshold is crossed or reached: 9 August 2012

6. Voting rights:

ISIN of shares: DE0006632003

Total amount of voting rights of last notification:

Total amount of voting rights in %: below 3 %

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 1.450.691

Amount of voting rights in % indirect: 6.24 %

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

Total amount of voting rights: 1.450.691

Total amount of voting rights in %: 6.24 %

7. Name of controlled undertakings: Morgan Stanley & Co LLC, Morgan Stanley Domestic Holdings Inc

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): Morgan Stanley Domestic Holdings Inc, Wilmington, Delaware, 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 %

5. Date on which the threshold is crossed or reached: 9 August 2012

6. Voting rights:

ISIN of shares: DE0006632003

Total amount of voting rights of last notification:

Total amount of voting rights in %: below 3 %

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 1.450.691

Amount of voting rights in % indirect: 6.24 %

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

Total amount of voting rights: 1.450.691

Total amount of voting rights in %: 6.24 %

7. Name of controlled undertakings: Morgan Stanley & Co LLC

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): Morgan Stanley & Co LLC, Wilmington, Delaware, 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 %

5. Date on which the threshold is crossed or reached: 9 August 2012

6. Voting rights:

ISIN of shares: DE0006632003

Total amount of voting rights of last notification:

Total amount of voting rights in %: below 3 %

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 1.450.691

Amount of voting rights in % indirect: 6.24 %

Total amount of voting rights: 1.450.691

Total amount of voting rights in %: 6.24 %

INVESCO, NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG ON 26 MARCH 2013

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 Limited, Hamilton, Bermuda
 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 person subject to the notification obligation (notifier): Invesco Advisers Inc., Houston, TX, 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 WpHG
 Total amount of voting rights: 700,937
 Total amount of voting rights in %: 3.0008 %

PERCEPTIVE, NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG ON 27 MARCH 2013

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): Perceptive Life Sciences Master Fund, Ltd., New York, NY, 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: 5 %
 5. Date on which the threshold is crossed or reached: 27 March 2013
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 3.01 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights direct: 1,172,550
 Amount of voting rights in % direct: 5.01 %
 Total amount of voting rights: 1,172,550
 Total amount of voting rights in %: 5.01 %

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): Perceptive Advisors LLC, New York, NY, 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: 5 %
 5. Date on which the threshold is crossed or reached: 27 March 2013
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 3.01 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 1,172,550
 Amount of voting rights in % indirect: 5.01 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
 Total amount of voting rights: 1,172,550
 Total amount of voting rights in %: 5.01 %
 8. Name of shareholder holding directly 3 % voting rights or more which are attributed to the notifier:
 Perceptive Life Sciences Master Fund, Ltd.

1. Details of listed company: MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
 2. Details of the person subject to the notification obligation (notifier): Joseph Edelman, 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: 5 %
 5. Date on which the threshold is crossed or reached: 27 March 2013
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 3.01 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 1,172,550
 Amount of voting rights in % indirect: 5.01 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
 Total amount of voting rights: 1,172,550
 Total amount of voting rights in %: 5.01 %
 8. Name of shareholder holding directly 3 % voting rights or more which are attributed to the notifier:
 Perceptive Life Sciences Master Fund, Ltd.

PERCEPTIVE, NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG ON 27 AND 28 MARCH 2013

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): Perceptive Life Sciences Master Fund, Ltd., New York, NY, USA
 3.1 Reason for notification: Acquisition/Disposal of shares to which voting rights are attached
 3.2 Triggering event: Reaching threshold
 4. Threshold(s) crossed or reached: 5 %
 5. Date on which the threshold is crossed or reached: 5 April 2011
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 3.05 %
 Amount of voting rights on day of triggering threshold:

Amount of voting rights direct: 1,147,205
 Amount of voting rights in % direct: 5.00 %
 Total amount of voting rights: 1,147,205
 Total amount of voting rights in %: 5.00 %

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): Perceptive Advisors LLC, New York, NY, USA
 3.1 Reason for notification: Acquisition/Disposal of shares to which voting rights are attached
 3.2 Triggering event: Reaching threshold
 4. Threshold(s) crossed or reached: 5 %
 5. Date on which the threshold is crossed or reached: 5 April 2011
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 3.05 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 1,147,205
 Amount of voting rights in % indirect: 5.00 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
 Total amount of voting rights: 1,147,205
 Total amount of voting rights in %: 5.00 %
 8. Name of shareholder holding directly 3 % voting rights or more which are attributed to the notifier:
 Perceptive Life Sciences Master Fund, Ltd.

1. Details of listed company: MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
 2. Details of the person subject to the notification obligation (notifier): Joseph Edelman, USA
 3.1 Reason for notification: Acquisition/Disposal of shares to which voting rights are attached
 3.2 Triggering event: Reaching threshold
 4. Threshold(s) crossed or reached: 5 %
 5. Date on which the threshold is crossed or reached: 5 April 2011
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 3.05 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 1,147,205
 Amount of voting rights in % indirect: 5.00 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
 Total amount of voting rights: 1,147,205
 Total amount of voting rights in %: 5.00 %
 8. Name of shareholder holding directly 3 % voting rights or more which are attributed to the notifier:
 Perceptive Life Sciences Master Fund, Ltd.

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): Perceptive Life Sciences Master Fund, Ltd., 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: 5 %
 5. Date on which the threshold is crossed or reached: 28 September 2011
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 5.00 %
 Amount of voting rights on day of triggering threshold:

Amount of voting rights direct: 1,138,226
 Amount of voting rights in % direct: 4.94 %
 Total amount of voting rights: 1,138,226
 Total amount of voting rights in %: 4.94 %

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): Perceptive Advisors LLC, 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: 5 %
 5. Date on which the threshold is crossed or reached: 28 September 2011
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 5.00 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 1,138,226
 Amount of voting rights in % indirect: 4.94 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
 Total amount of voting rights: 1,138,226
 Total amount of voting rights in %: 4.94 %
 8. Name of shareholder holding directly 3 % voting rights or more which are attributed to the notifier:
 Perceptive Life Sciences Master Fund, Ltd.

1. Details of listed company: MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
 2. Details of the person subject to the notification obligation (notifier): Joseph Edelman, 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: 5 %
 5. Date on which the threshold is crossed or reached: 28 September 2011
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 5.00 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 1,138,226
 Amount of voting rights in % indirect: 4.94 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
 Total amount of voting rights: 1,138,226
 Total amount of voting rights in %: 4.94 %
 8. Name of shareholder holding directly 3 % voting rights or more which are attributed to the notifier:
 Perceptive Life Sciences Master Fund, Ltd.

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): Perceptive Life Sciences Master Fund, Ltd., 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: 3 October 2012
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 4.94 %
 Amount of voting rights on day of triggering threshold:

Amount of voting rights direct: 683,672
 Amount of voting rights in % direct: 2.93 %
 Total amount of voting rights: 683,672
 Total amount of voting rights in %: 2.93 %

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): Perceptive Advisors LLC, 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: 3 October 2012
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 4.94 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 683,672
 Amount of voting rights in % indirect: 2.93 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
 Total amount of voting rights: 683,672
 Total amount of voting rights in %: 2.93 %

1. Details of listed company: MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
 2. Details of the person subject to the notification obligation (notifier): Joseph Edelman, 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: 3 October 2012
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 4.94 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 683,672
 Amount of voting rights in % indirect: 2.93 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
 Total amount of voting rights: 683,672
 Total amount of voting rights in %: 2.93 %

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): Perceptive Life Sciences Master Fund, Ltd., New York, NY, 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: 13 December 2012
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 2.93 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights direct: 701,579
 Amount of voting rights in % direct: 3.01 %
 Total amount of voting rights: 701,579
 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): Perceptive Advisors LLC, New York, NY, 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: 13 December 2012
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 2.93 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 701,579
 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: 701,579
 Total amount of voting rights in %: 3.01 %
 8. Name of shareholder holding directly 3 % voting rights or more which are attributed to the notifier:
 Perceptive Life Sciences Master Fund, Ltd.

1. Details of listed company: MorphoSys AG, Lena-Christ-Straße 48, 82152 Martinsried/Planegg, Germany
 2. Details of the person subject to the notification obligation (notifier): Joseph Edelman, 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: 13 December 2012
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 2.93 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 701,579
 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: 701,579
 Total amount of voting rights in %: 3.01 %
 8. Name of shareholder holding directly 3 % voting rights or more which are attributed to the notifier:
 Perceptive Life Sciences Master Fund, Ltd.

MORGAN STANLEY, NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG ON 1 MAY 2013

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): Morgan Stanley, Wilmington, Delaware, 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: 5 %
 5. Date on which the threshold is crossed or reached: 26 April 2013
 6. Voting rights: ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %: 6.24 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 1,123,054
 Amount of voting rights in % indirect: 4.81 %
 Attribution pursuant to sec. 22 para. 1 sent 1 no. 1 WpHG

Total amount of voting rights: 1,123,054

Total amount of voting rights in %: 4.81 %

7. Names of controlled undertakings holding 3 % or more: Morgan Stanley & Co LLC, Morgan Stanley Domestic Holdings Inc, Morgan Stanley Capital Management LLC

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): Morgan Stanley Capital Management LLC, Wilmington, Delaware, 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: 5 %

5. Date on which the threshold is crossed or reached: 26 April 2013

6. Voting rights:

ISIN of shares: DE0006632003

Total amount of voting rights of last notification in %:

6.24 %

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 1,123,054

Amount of voting rights in % indirect: 4.81 %

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

Total amount of voting rights: 1,123,054

Total amount of voting rights in %: 4.81 %

7. Names of controlled undertakings holding 3 % or more: Morgan Stanley & Co LLC, Morgan Stanley Domestic Holdings Inc

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): Morgan Stanley Domestic Holdings Inc, Wilmington, Delaware, 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: 5 %

5. Date on which the threshold is crossed or reached: 26 April 2013

6. Voting rights:

ISIN of shares: DE0006632003

Total amount of voting rights of last notification in %:

6.24 %

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 1,123,054

Amount of voting rights in % indirect: 4.81 %

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

Total amount of voting rights: 1,123,054

Total amount of voting rights in %: 4.81 %

7. Names of controlled undertakings holding 3 % or more: Morgan Stanley & Co LLC

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): Morgan Stanley & Co LLC, Wilmington, Delaware, 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: 5 %

5. Date on which the threshold is crossed or reached: 26 April 2013

6. Voting rights:

ISIN of shares: DE0006632003

Total amount of voting rights of last notification in %:

6.24 %

Amount of voting rights on day of triggering threshold:

Amount of voting rights direct: 1,123,054
 Amount of voting rights in % direct: 4.81 %
 Total amount of voting rights: 1,123,054
 Total amount of voting rights in %: 4.81 %

**CORRECTION FROM BVF REGARDING NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG
 ON 25 JUNE 2012 FOLLOWING INFORMATION RECEIVED ON 21 MAY 2013**

We hereby withdraw the notification of voting rights pursuant to section 21 para. 1 WpHG published on 25 June 2012 following respective information we received on 21 May 2013.

The withdrawal concerns the voting rights of:

Mark N. Lampert, USA
 BVF Inc., Chicago, IL, USA
 BVF Partners L.P., Chicago, IL, USA
 BVF Investments, L.L.C., Chicago, IL, USA

**CORRECTION FROM PERCEPTIVE REGARDING NOTIFICATION PURSUANT TO SECTION 21 PARA 1
 WPHG ON 2 APRIL 2013 FOLLOWING INFORMATION RECEIVED ON 23 MAY 2013**

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): Perceptive Advisors LLC, New York, NY, USA
 3.1 Reason for notification: Acquisition/Disposal of shares to which voting rights are attached
 3.2 Triggering event: Reaching threshold
 4. Threshold(s) crossed or reached: 5 %
 5. Date on which the threshold is crossed or reached: 5 April 2011
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 3.05 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 1,147,205
 Amount of voting rights in % indirect: 5.00 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 WpHG
 Total amount of voting rights: 1,147,205
 Total amount of voting rights in %: 5.00 %
 8. Name of shareholder holding directly 3 % voting rights or more which are attributed to the notifier:
 Perceptive Life Sciences Master Fund, Ltd.

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): Perceptive Advisors LLC, 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: 5 %
 5. Date on which the threshold is crossed or reached: 28 September 2011
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 5.00 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 1,138,226
 Amount of voting rights in % indirect: 4.94 %

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

Total amount of voting rights: 1,138,226

Total amount of voting rights in %: 4.94 %

8. Name of shareholder holding directly 3 % voting rights or more which are attributed to the notifier:
Perceptive Life Sciences Master Fund, Ltd.

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): Perceptive Advisors LLC, 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: 3 October 2012

6. Voting rights:

ISIN of shares: DE0006632003

Total amount of voting rights of last notification in %:

4.94 %

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 683,672

Amount of voting rights in % indirect: 2.93 %

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

Total amount of voting rights: 683,672

Total amount of voting rights in %: 2.93 %

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): Perceptive Advisors LLC, New York, NY, 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: 13 December 2012

6. Voting rights:

ISIN of shares: DE0006632003

Total amount of voting rights of last notification in %:

2.93 %

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 701,579

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: 701,579

Total amount of voting rights in %: 3.01 %

8. Name of shareholder holding directly 3 % voting rights or more which are attributed to the notifier:
Perceptive Life Sciences Master Fund, Ltd.

CORRECTION FROM PERCEPTIVE REGARDING NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG ON 2 APRIL 2013 FOLLOWING INFORMATION RECEIVED ON 23 MAY 2013

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): Perceptive Advisors LLC, New York, NY, 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: 5 %

5. Date on which the threshold is crossed or reached: 27 March 2013

6. Voting rights:

ISIN of shares: DE0006632003

Total amount of voting rights of last notification in %:

3.01 %

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 1,172,550

Amount of voting rights in % indirect: 5.01 %

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

Total amount of voting rights: 1,172,550

Total amount of voting rights in %: 5.01 %

8. Name of shareholder holding directly 3 % voting rights or more which are attributed to the notifier:

Perceptive Life Sciences Master Fund, Ltd.

JPMORGAN, NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG ON 5 JULY 2013

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): JPMorgan Chase & Co, New York, NY, 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: 1 July 2013

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 indirect: 1,124,530

Amount of voting rights in % indirect: 4.81 %

Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2

Total amount of voting rights: 1,124,530

Total amount of voting rights in %: 4.81 %

8. Names of shareholder(s) holding directly 3 % voting rights or more which are attributed to the notifier:

Perceptive Life Sciences Master Fund Ltd.

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): JPMorgan Broker-Dealer Holdings Inc., New York, NY, 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: 1 July 2013

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 indirect: 1,124,530

Amount of voting rights in % indirect: 4.81 %

Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2

Total amount of voting rights: 1,124,530

Total amount of voting rights in %: 4.81 %

8. Names of shareholder(s) holding directly 3 % voting rights or more which are attributed to the notifier:

Perceptive Life Sciences Master Fund Ltd.

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): JPMorgan Securities LLC, New York, NY, 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: 1 July 2013

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 indirect: 1,124,530
 Amount of voting rights in % indirect: 4.81 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2
 Total amount of voting rights: 1,124,530
 Total amount of voting rights in %: 4.81 %

8. Names of shareholder(s) holding directly 3 % voting rights or more which are attributed to the notifier: Perceptive Life Sciences Master Fund Ltd.

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): JPMorgan Clearing Corp, Brooklyn, NY, 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: 1 July 2013

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 indirect: 1,124,530
 Amount of voting rights in % indirect: 4.81 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG
 Total amount of voting rights: 1,124,530
 Total amount of voting rights in %: 4.81 %

8. Names of shareholder(s) holding directly 3 % voting rights or more which are attributed to the notifier: Perceptive Life Sciences Master Fund Ltd.

JPMORGAN, NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG ON 8 JULY 2013

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): JPMorgan Chase & Co, 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: 2 July 2013

6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %: 4.81 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 56,158
 Amount of voting rights in % indirect: 0.24 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2
 Total amount of voting rights: 56,158
 Total amount of voting rights in %: 0.24 %

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): JPMorgan Broker-Dealer Holdings Inc., 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: 2 July 2013
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %: 4.81 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 56,158
 Amount of voting rights in % indirect: 0.24 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2
 Total amount of voting rights: 56,158
 Total amount of voting rights in %: 0.24 %

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): JPMorgan Securities LLC, 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: 2 July 2013
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %: 4.81 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 56,158
 Amount of voting rights in % indirect: 0.24 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2
 Total amount of voting rights: 56,158
 Total amount of voting rights in %: 0.24 %

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): JPMorgan Clearing Corp, Brooklyn, 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: 2 July 2013
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %: 4.81 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 56,158
 Amount of voting rights in % indirect: 0.24 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG
 Total amount of voting rights: 56,158
 Total amount of voting rights in %: 0.24 %

JPMORGAN, NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG ON 16 JULY 2013

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): J.P. Morgan Clearing Corp, Brooklyn, NY, 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: 11 July 2013
 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 indirect: 1,132,000
 Amount of voting rights in % indirect: 4.84 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG
 Total amount of voting rights: 1,132,000
 Total amount of voting rights in %: 4.84 %
 8. Names of shareholder(s) holding directly 3 % voting rights or more which are attributed to the notifier: Perceptive Life Sciences Master Fund Ltd.

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): J.P. Morgan Securities LLC, New York, NY, 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: 11 July 2013
 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 indirect: 1,132,000
 Amount of voting rights in % indirect: 4.84 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2
 Total amount of voting rights: 1,132,000
 Total amount of voting rights in %: 4.84 %
 8. Names of shareholder(s) holding directly 3 % voting rights or more which are attributed to the notifier: Perceptive Life Sciences Master Fund Ltd.

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): J.P. Morgan Broker-Dealer Holdings Inc., New York, NY, 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: 11 July 2013
 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 indirect: 1,132,000
 Amount of voting rights in % indirect: 4.84 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2
 Total amount of voting rights: 1,132,000

Total amount of voting rights in %: 4.84 %

8. Names of shareholder(s) holding directly 3 % voting rights or more which are attributed to the notifier:
Perceptive Life Sciences Master Fund Ltd.

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): JPMorgan Chase & Co, New York, NY, 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: 11 July 2013

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 indirect: 1,132,000

Amount of voting rights in % indirect: 4.84 %

Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2

Total amount of voting rights: 1,132,000

Total amount of voting rights in %: 4.84 %

8. Names of shareholder(s) holding directly 3 % voting rights or more which are attributed to the notifier:
Perceptive Life Sciences Master Fund Ltd.

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): J.P. Morgan Clearing Corp, Brooklyn, 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: 12 July 2013

6. Voting rights:

ISIN of shares: DE0006632003

Total amount of voting rights of last notification in %: 4.84 %

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 681,681

Amount of voting rights in % indirect: 2.91 %

Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG

Total amount of voting rights: 681,681

Total amount of voting rights in %: 2.91 %

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): J.P. Morgan Securities LLC, 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: 12 July 2013

6. Voting rights:

ISIN of shares: DE0006632003

Total amount of voting rights of last notification in %: 4.84 %

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 681,681

Amount of voting rights in % indirect: 2.91 %

Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2

Total amount of voting rights: 681,681

Total amount of voting rights in %: 2.91 %

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): J.P. Morgan Broker-Dealer Holdings Inc., 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: 12 July 2013
 6. Voting rights: ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %: 4.84 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 681,681
 Amount of voting rights in % indirect: 2.91 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2
 Total amount of voting rights: 681,681
 Total amount of voting rights in %: 2.91 %

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): JPMorgan Chase & Co, 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: 12 July 2013
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %: 4.84 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 681,681
 Amount of voting rights in % indirect: 2.91 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 5 WpHG in connection with sent. 2
 Total amount of voting rights: 681,681
 Total amount of voting rights in %: 2.91 %

CORRECTION FROM PERCEPTIVE REGARDING NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG ON 27 MARCH 2013 FOLLOWING INFORMATION RECEIVED ON 7 AUGUST 2013

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): Joseph Edelman, 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: 5 %
 5. Date on which the threshold is crossed or reached: 5 April 2011
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 3.05 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 1,147,205
 Amount of voting rights in % indirect: 5.00 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG
 Total amount of voting rights: 1,147,205
 Total amount of voting rights in %: 5.00 %
 8. Name of shareholder holding directly 3 % voting rights or more which are attributed to the notifier:
 Perceptive Life Sciences Master Fund, Ltd.

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): Perceptive Life Sciences Master Fund, Ltd., New York, NY, 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: 5 %
 5. Date on which the threshold is crossed or reached: 5 April 2011
 6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %:
 3.05 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights direct: 1,147,205
 Amount of voting rights in % direct: 5.00 %
 Total amount of voting rights: 1,147,205
 Total amount of voting rights in %: 5.00 %

CELGENE, NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG ON 29 AUGUST 2013

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): Celgene Alpine Investment Co., LLC, Wilmington, Delaware, 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: 27 August 2013
 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: 797,150
 Amount of voting rights in % direct: 3.24 %
 Total amount of voting rights: 797,150
 Total amount of voting rights in %: 3.24 %

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): Celgene International Sàrl, Boudry, 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. Date on which the threshold is crossed or reached: 27 August 2013
 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 indirect: 797,150
 Amount of voting rights in % indirect: 3.24 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG
 Total amount of voting rights: 797,150
 Total amount of voting rights in %: 3.24 %
 7. Name(s) of controlled undertaking(s) holding 3 % or more: Celgene Alpine Investment Co., LLC, Delaware, USA

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): Celgene Switzerland SA, Boudry, 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. Date on which the threshold is crossed or reached: 27 August 2013

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 indirect: 797,150
 Amount of voting rights in % indirect: 3.24 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG
 Total amount of voting rights: 797,150
 Total amount of voting rights in %: 3.24 %

7. Name(s) of controlled undertaking(s) holding 3 % or more: Celgene International Sàrl, Boudry, Switzerland; Celgene Alpine Investment Co., LLC, Delaware, USA

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): Celgene Netherlands II BV, Utrecht, The Netherlands

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: 27 August 2013

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 indirect: 797,150
 Amount of voting rights in % indirect: 3.24 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG
 Total amount of voting rights: 797,150
 Total amount of voting rights in %: 3.24 %

7. Name(s) of controlled undertaking(s) holding 3 % or more: Celgene Switzerland SA, Boudry, Switzerland; Celgene International Sàrl, Boudry, Switzerland; Celgene Alpine Investment Co., LLC, Delaware, USA

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): Celgene Netherlands BV, Utrecht, The Netherlands

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: 27 August 2013

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 indirect: 797,150
 Amount of voting rights in % indirect: 3.24 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG
 Total amount of voting rights: 797,150
 Total amount of voting rights in %: 3.24 %

7. Name(s) of controlled undertaking(s) holding 3 % or more: Celgene Netherlands II BV, Utrecht, The Netherlands; Celgene Switzerland SA, Boudry, Switzerland; Celgene International Sàrl, Boudry, Switzerland; Celgene Alpine Investment Co., LLC, Delaware, USA

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): Celgene International Inc., Wilmington, Delaware, 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: 27 August 2013

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 indirect: 797,150

Amount of voting rights in % indirect: 3.24 %

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

Total amount of voting rights: 797,150

Total amount of voting rights in %: 3.24 %

7. Name(s) of controlled undertaking(s) holding 3 % or more: Celgene Netherlands BV, Utrecht, The Netherlands; Celgene Netherlands II BV, Utrecht, The Netherlands; Celgene Switzerland SA, Boudry, Switzerland; Celgene International Sàrl, Boudry, Switzerland; Celgene Alpine Investment Co., LLC, Delaware, USA

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): Celgene Corporation, Wilmington, Delaware, 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: 27 August 2013

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 indirect: 797,150

Amount of voting rights in % indirect: 3.24 %

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

Total amount of voting rights: 797,150

Total amount of voting rights in %: 3.24 %

7. Name(s) of controlled undertaking(s) holding 3 % or more: Celgene International Inc., Delaware, USA; Celgene Netherlands BV, Utrecht, The Netherlands; Celgene Netherlands II BV, Utrecht, The Netherlands; Celgene Switzerland SA, Boudry, Switzerland; Celgene International Sàrl, Boudry, Switzerland; Celgene Alpine Investment Co., LLC, Delaware, USA

CORRECTION FROM CELGENE REGARDING NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG ON 29 AUGUST 2013 FOLLOWING INFORMATION RECEIVED ON 9 SEPTEMBER 2013

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): Celgene Netherlands II BV, Amsterdam, The Netherlands

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: 27 August 2013
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 indirect: 797,150
 Amount of voting rights in % indirect: 3.24 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG
 Total amount of voting rights: 797,150
 Total amount of voting rights in %: 3.24 %
7. Name(s) of controlled undertaking(s) holding 3 % or more: Celgene Switzerland SA, Boudry, Switzerland; Celgene International Sàrl, Boudry, Switzerland; Celgene Alpine Investment Co., LLC, Delaware, USA

MORGAN STANLEY, NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG ON 14 OCTOBER 2013

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): Morgan Stanley, Wilmington, Delaware, 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: 9 October 2013
6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %: 4.81 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 781,778
 Amount of voting rights in % indirect: 2.99 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG
 Total amount of voting rights: 781,778
 Total amount of voting rights in %: 2.99 %
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): Morgan Stanley Capital Management LLC, Wilmington, Delaware, 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: 9 October 2013
6. Voting rights:
 ISIN of shares: DE0006632003
 Total amount of voting rights of last notification in %: 4.81 %
 Amount of voting rights on day of triggering threshold:
 Amount of voting rights indirect: 781,778
 Amount of voting rights in % indirect: 2.99 %
 Attribution pursuant to sec. 22 para. 1 sent. 1 no. 1 WpHG
 Total amount of voting rights: 781,778
 Total amount of voting rights in %: 2.99 %
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): Morgan Stanley Domestic Holdings Inc., Wilmington, Delaware, 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: 9 October 2013

6. Voting rights:

ISIN of shares: DE0006632003

Total amount of voting rights of last notification in %: 4.81 %

Amount of voting rights on day of triggering threshold:

Amount of voting rights indirect: 781,778

Amount of voting rights in % indirect: 2.99 %

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

Total amount of voting rights: 781,778

Total amount of voting rights in %: 2.99 %

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): Morgan Stanley & Co. LLC, Wilmington, Delaware, 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: 9 October 2013

6. Voting rights:

ISIN of shares: DE0006632003

Total amount of voting rights of last notification in %: 4.81 %

Amount of voting rights on day of triggering threshold:

Amount of voting rights direct: 781,626

Amount of voting rights indirect: 152

Amount of voting rights in % direct: 2.99 %

Amount of voting rights in % indirect: 0.001 %

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

Total amount of voting rights: 781,778

Total amount of voting rights in %: 2.99 %

CORRECTION FROM INVESCO REGARDING NOTIFICATION PURSUANT TO SECTION 21 PARA 1 WPHG ON 26 MARCH 2013 FOLLOWING INFORMATION RECEIVED ON 3 DECEMBER 2013

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 Advisers Inc., Atlanta, Georgia, 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

Total amount of voting rights of last notification in %: 0 %

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 WpHG

Total amount of voting rights: 700,937

Total amount of voting rights in %: 3.0008 %

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 assets, liabilities, financial position, and results of operations of the Company, and that the management report includes a fair review of the development of the business including the results and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Martinsried, 10 March 2014

Dr. Simon E. 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			
		01/01/2013	Additions	Disposals	12/31/2013
		EUR	EUR	EUR	EUR
A.	Fixed Assets				
I.	Intangible Assets				
1.	Franchises, trademarks, patents, licences, and similar rights and licences to such rights	35,215,643	3,947,122	45,892	39,116,873
		35,215,643	3,947,122	45,892	39,116,873
II.	Tangible Assets				
1.	Land, leasehold rights and buildings, including leasehold improvements	1,319,571	14,861	62,801	1,271,631
2.	Other equipment, furniture and fixtures	14,238,115	1,034,706	2,672,061	12,600,760
		15,557,686	1,049,567	2,734,862	13,872,391
III.	Financial Assets				
1.	Shares in affiliated companies	57,636,684	0	37,385,334	20,251,350
2.	Shares	881,633	845,000		1,726,633
		58,518,317	845,000	37,385,334	21,977,983
		109,291,646	5,841,689	40,166,088	74,967,247

	Accumulated Depreciation				Net Book Values	
	01/01/2013 EUR	Additions EUR	Write-offs EUR	Disposals EUR	12/31/2013 EUR	12/31/2012 EUR
	16,644,333	1,794,359	759,869	44,028	19,154,533	18,571,310
	16,644,333	1,794,359	759,869	44,028	19,154,533	18,571,310
	1,115,579	50,974	10,212	11,001	1,165,764	203,992
	11,438,404	1,382,161	0	2,213,346	10,607,219	2,799,711
	12,553,983	1,433,135	10,212	2,224,347	11,772,983	3,003,703
	5,548,090	0	0	5,366,889	181,201	52,088,594
	0	0	0	0	0	881,633
	5,548,090	0	0	5,366,889	181,201	52,970,227
	34,746,406	3,227,494	770,081	7,635,264	31,108,717	74,545,240

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the statement of income and the notes, together with the bookkeeping system and the management report of the MorphoSys AG, Martinsried, for the business year from January 1 to December 31, 2013. 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 supplementary articles of incorporation are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Article 317 of the German Commercial Code and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company 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 and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating 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.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Munich, March 11, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(signed Stefano Mulas)
Wirtschaftsprüfer
(German Public Auditor)

(signed Dietmar Eglauer)
Wirtschaftsprüfer
(German Public Auditor)

Imprint

Contact Details

CORPORATE COMMUNICATIONS AND INVESTOR RELATIONS

Tel.: +49-89-89927-404
Fax: +49-89-89927-5404
Email: investors@morphosys.com

MorphoSys AG
Lena-Christ-Str. 48
82152 Martinsried/Planegg
Germany
Email: info@morphosys.com
Internet: www.morphosys.de

These annual financial statements are also available in the German language and are available for download on our website.

HuCAL[®], HuCAL GOLD[®], HuCAL PLATINUM[®], CysDisplay[®], RapMAT[®], arYla[®], Ylanthia[®], and 100 billion high potentials[®] are registered trademarks of MorphoSys AG. Slonomics[®] is a registered trademark of Sloning BioTechnology GmbH, a subsidiary of MorphoSys AG.