



MorphoSys AG
Ordinary Shareholders' Meeting on 21 May 2010
Munich Conference Center
Lazarettstr. 33
80636 Munich

CHECK AGAINST DELIVERY

Slide 1: Welcome

Slide 2: Agenda

Slide 3: Report of the Board of Management

Speaker: Dr. Simon Moroney, Chairman of the Board of Management of MorphoSys AG

Ladies and gentlemen, shareholders and shareholder representatives, dear guests and friends of the company.

After a successful year for our company, I am delighted to welcome you to this year's Shareholders' Meeting of MorphoSys AG in the name of the entire Board of Management, that is, my Board of Management colleagues Marlies Sproll, Dave Lemus and Arndt Schottelius. I greatly appreciate your strong interest and thank you for attending in such numbers.

Slide 4: Agenda

I would like to give you a brief overview of the structure of today's report.

After an operational retrospective on the past year, which we will provide details on each of our three segments, our CFO, Dave Lemus, will report on the financial developments of the company in 2009 and the first quarter of 2010. Before we then come to the requests to speak and the voting phase, I will present a strategic outlook and say a few words on the items of the agenda.

Slide 6: Successful Performance 2009

2009 was a very strong year, as can be seen from the roster of goals achieved. We'll look at some highlights in more detail shortly, but I'd like to pick out just a few now.

The Partnered Discovery segment is growing at an impressive rate. It currently brings in the majority of our revenues and profits and promises substantial increases in both. In 2009, the Proprietary Development segment took a huge leap forward as the company's portfolio expanded, and the development team grew under Arndt Schottelius' leadership. New leadership also was a key theme within AbD Serotec as Dieter Feger led the unit to above-market growth, and a higher than expected profit margin. Financially, the MorphoSys Group generated a record level of revenue. Our profit was also very satisfactory despite the fact that we doubled our R&D investments.

All in all, we are stronger than ever. I am confident that MorphoSys has all the qualities it needs to accelerate its growth in the years ahead from technology provider to a company focused on both the discovery and development of innovative drugs. Technology remains important for us, but increasingly, it is the products that we have made using that technology that are the center of our attention.

Slide 7: Employees

As a successful, growing company, we are creating new jobs and traineeships in Germany and our international locations. Let's take a brief look at HR development for MorphoSys in 2009. At the end of 2009, the Group had 413 employees, 24% more than in 2008. 273 employees worked in the Partnered Discovery and Proprietary Development segments, and 140 employees worked in the AbD Serotec segment. The bulk of the increase in headcount is due to expansion of our proprietary product development activities here in Germany.

Slide 8: Share Price Developments in 2009

Despite the very turbulent economic climate in 2009, MorphoSys grew stronger and more mature on all fronts. We do not feel this has been adequately reflected by our current share price. Nonetheless, compared with the last Shareholders' Meeting about a year ago, MorphoSys's share price has grown by about 15 percent points. The price is about 15 euros at the moment, meaning that the company's market capitalisation is around 340 million euros. Independent analysts who regularly report on our company agree with our estimation and feel that a share price of 20 euros on average would be more appropriate.

We are, and will remain, very active on the capital market. We are holding individual consultations and international investors' conferences to demonstrate the strength of our business model. Our positive company development and the anticipated news for the remaining months will benefit our share price; we are sure of it.

Now that our brief introduction is complete, let's take a look at each of the segments. I would now like to give the floor to our CSO, Dr. Marlies Sproll, who will talk about our Partnered Discovery segment.

Speaker: Dr. Marlies Sproll, CSO, MorphoSys AG

Slide 9: Segment Review 2009

Thank you, Simon. I am delighted to present some very good developments today.

Slide 10: Partnered Discovery – Achievements in 2009

The numbers from the Partnered Discovery segment speak for themselves. Our partnered pipeline is now more advanced than at any time before. In 2009, the total number of active partnered programmes reached 65, a net increase of 10 from the start of the year. We had more compounds enter the clinic than in any previous year: 3; and two programmes moved into phase 2 of clinical development, more than ever before.

With regard to the partnerships themselves, the most important development was securing the full ten-year term of our strategic alliance with Novartis. At the end of last year, the final step in the build-up of our internal team dedicated to Novartis was taken, so that we are now at full capacity. The long-term commitment that Novartis has made to MorphoSys is very important to our ability to invest in proprietary R&D today, and should lead to a number of marketed products in the future.

During 2009, we also secured extensions to our collaborations with partners Schering-Plough, now part of the U.S. Merck company, and Shionogi.

We're not resting on our laurels. We have tapped and will continue to exploit new business opportunities. In 2009, we signed an alliance with Daiichi Sankyo that has a specific focus on certain hospital-acquired infections, an area of enormous unmet medical need. This deal takes advantage of a provision that we negotiated into our 2007 Novartis agreement which allows us to work on the majority of infectious disease targets with other partners or in proprietary programmes. Due to the sheer magnitude of the Novartis alliance this carve-out was just a side note for many at the time we announced the deal. It was our deliberate decision to include this flexibility in the agreement because we saw attractive opportunities and significant potential value here.

Slide 11: Big Pharma's Rising Appetite for Infectious Disease Biologicals

Antibiotic-resistant hospital pathogens are an increasing medical issue in healthcare. The Robert Koch Institute estimates that every year, five percent of hospital patients become infected with a pathogen. This can result in pneumonia, wound infections or blood poisoning, from which about 40,000 patients in Germany die each year. The German Institute for Hospital Hygiene estimates that every third bacteria is no longer treatable with standard antibiotics.

However, due to this issue we now see increasing interest on the part of pharmaceutical companies in infectious diseases, as evidenced by the many alliances that were established in the industry during 2009. We intend to take advantage of this growing market and aim to establish new collaborations in the field.

We began an initial cooperation with Daiichi Sankyo back in October 2009 and are honing our technologies with a view to additional partnerships.

Slide 12: Partner Programmes in Clinical Development

The status of our partner pipeline is a good indicator of the strength of our business model and the value potential of MorphoSys. Most notably, the number of partner programmes for clinical trials has grown to seven. Three of these programmes are now in phase 2. The most advanced compounds concern a cancer programme with our partner Novartis and a compound with our partner Centocor against a target that is involved in both cancer and immunological indications.

Then there is an antibody for treating Alzheimer's disease which we made for Roche. This antibody now has an official name, which is Gantenerumab, and has successfully concluded phase 1 clinical trials. Three new programmes began at the clinic in 2009, including our first clinical programme with Bayer-Schering. This is the first HuCAL-based immunoconjugate, meaning a combination of an antibody with a second drug.

We were also recently informed by Novartis that it has clinically demonstrated the efficacy of one of our new antibodies. This means that for the first time, a HuCAL antibody has had a proven therapeutic benefit in humans. Although Novartis has declined to publish data on this study so far, it's a key event for us. This proof of concept will be an important milestone for the HuCAL technology.

Slide 13: Partnered Discovery – Highlights for 2010

What is the outlook for this segment of our business?

Overall, we expect a lot more visibility and transparency around the pipeline as programmes advance and partners disclose some of the targets on which they're based. In 2010, we expect somewhere between four and six new programmes from our partners to enter phase 1 clinical trials. The programmes already in clinical trials are expected to advance. Roche has announced that they plan to take Gantenerumab, our anti-amyloid-beta antibody for Alzheimer's disease, into a phase 2 clinical trial. There may be others coming from the programmes currently in phase 1.

As I mentioned earlier, we will reveal some of the technology developments we have made. We're not standing still here, and believe that new technology will be a very important value driver for us in the years ahead.

That concludes my review of 2009 for the Partnered Discovery segment. Arndt will now take you through the review of our proprietary development activities.

Speaker: Dr. Arndt Schottelius, CDO of MorphoSys AG

Slide 14: Segment Review 2009 - Proprietary Development

Thank you, Marlies. Following Dr. Sproll's review of the Partnered Discovery segment I would like to turn to our proprietary activities and summarize the latest developments in this area.

Slide 15: Achievements in 2009 – Development Organization Built

The last year saw a major expansion of our internal development team and capabilities in the realm of drug development. We used two strategies to bolster our team: We hired experienced people and top talent from the industry and we trained and developed our existing team members. Prior to joining MorphoSys the new hires in our team gained experience at companies such as Novartis, Bristol-Myers Squibb, Fresenius, Medigene and others. As a result we now have all important positions in place to develop our own drugs. I believe we have established a high-class development organization within a very short timeframe.

Our ability to attract these people so quickly also shows that we have raised our profile in the industry as a drug development company. We now offer attractive career opportunities for people with a development profile. This new drug development image will also help us and indeed has already helped to secure access to innovative targets and convince academic groups and biotech companies, that MorphoSys is the partner of choice to develop valuable antibody therapies.

In terms of actual headcount, we counted 56 FTEs in the newly established Proprietary Development segment in 2009. Tightly connected with my core development team of 26 people are supporting roles from the research department. Additionally, a strong protein science team serves both the Partnered Discovery and the Proprietary Development segments. As we have stated before, our goal is a strong interaction between the research and development groups from start to finish of a programme's lifetime in our organization.

Slide 16: Achievements in 2009 – Proprietary Portfolio

With regard to our proprietary portfolio, we have made significant progress over the last twelve months. We have finalised the phase 1 trial for our active substance MOR103. Based on that data we also applied for regulatory approval to commence a phase 1b/2a trial in rheumatoid arthritis in several European countries and, as we will see later on, have received the approval in three countries already. The first patient was included in the trial early this year. This is the first time that one of our proprietary compounds is being tested in patients which is a major milestone for the entire R&D team at MorphoSys.

Another important development during 2009 was the preclinical work we have performed to determine a second indication in which we see potential to develop MOR103. That work was successfully concluded, and our planning to commence a Phase 2 study in this second indication is on track.

MOR202 has also made solid progress towards the clinic and we will come to further details in a minute. One piece of news we would like to make you aware of, however, is that MOR202 was also part of Munich's biotechnology cluster application "m⁴ – personalized medicine", which was awarded high-tech cluster status in a German government funding competition early this year. We are quite confident that the programme will benefit from this source of external funding.

Last but not least, we have added new programmes to our roster of proprietary products. The new programmes we have added during the course of 2009 and the two targets already selected in early 2010 are based on very promising target molecules, in some cases in-licensed

from external sources – academic groups and biotechnology start-ups. We are very excited about these targets for which we have secured access and the new ones we have picked for additional starts this year and look forward to sharing more details with you.

Slide 17: MOR103 – Phase 1b/2a (MSC-1001) in Rheumatoid Arthritis – Clinical Trial Update

On the next two slides I would like to update you on our two most advanced proprietary development programmes, namely MOR103 and MOR202.

Let's begin with MOR103. Our phase 1b/2a study has now been approved in Germany, the Netherlands and Bulgaria and patients have been participating since the beginning of this year. With the regional mix we have planned for, we look to secure access to patients with different treatment history which will allow us to test therapeutic response to MOR103 in a heterogeneous “real world” patient population.

The primary outcome of the clinical trial is to show safety and tolerability of multiple doses of MOR103 in patients with active RA. Nonetheless, we have a rich set of secondary outcome measures including additional biomarkers to evaluate the drug's potential to inhibit the GM-CSF inflammatory pathway and to improve clinical signs and symptoms of rheumatoid arthritis.

In terms of overall timeline, we are on track with the MOR103 trial to achieve our goal to finalise enrolment in the first half of 2011.

Slide 18: MOR202 – Finalise Development Strategy

Let's move on to MOR202. MOR202 is a fully human cancer antibody against CD38, a target that we chose based on our internal research activities.

One of the first things I did after joining MorphoSys was to undertake a detailed review of our development programmes. This review soon confirmed my impression that MOR103 was absolutely on the right track. With regard to MOR202, we identified some important additional work that needed to be done to fully exploit the potential of this promising molecule. Although this resulted in some delay, I'm convinced we now have a more valuable programme.

We are confident that MOR202 is an antibody with a very competitive profile and distinct advantages. One key advantage of MOR202 is the fact that we have a working tox species due to cross reactivity to a non-human primate that we built into our antibody. We believe ours to be the only human anti-CD38 antibody with this feature. Why is this so important? Being an antibody which is designed to kill cancer cells, analyzing and predicting potential toxicity in humans is key to a robust development plan.

To reiterate: the extra work we have invested into the MOR202 programme including the conscious decision to invest into a longer chronic tox study is intended to fully exploit the potential of the compound and secure a long-term development plan which will in return increase its value. We expect to file the clinical trial application in Q4 2010 and to the start of clinical trials in early 2011.

Slide 19: Proprietary Pipeline 2008 - 2010

Let's now have a look at the current and future state of the entire proprietary portfolio.

We have already touched on the MOR103 and MOR202 programmes; both will advance during 2010 according to their respective development plans. The other internal programmes initiated in 2009, MOR205 and MOR104, are in different earlier stages of antibody generation and optimisation. Targets for two additional programmes, MOR105 and MOR206, have already been selected. MOR206 focuses on a cancer stem cell target, and we're very excited about this molecule.

With regard to our co-development candidate selected as part of the Novartis alliance, that programme has advanced well during 2009. We expect a second joint programme to commence with Novartis this year.

Finally, some thoughts on portfolio management. We think of all our proprietary programmes as competing entities. In line with our goal to establish a high-calibre portfolio, we will channel available investments and capacities to the most valuable candidates. Thus, no one should be too surprised to see slight adjustments to this relatively young portfolio and prioritisation taking place in future years. If such an adjustment happens, it happens in favour of those programmes with the best and most convincing commercial success. On that note, in the first quarter of 2010 we decided to discontinue the early phase MOR203 cancer programme.

We will continue to expand our pipeline in 2010, beginning up to four new programmes. These will be internal programmes and potential co-development programmes. As mentioned, we have already chosen the targets for the start of two new programmes.

That concludes my part of the presentation. I would now like to hand back to Dr. Moroney.

Speaker: Dr. Simon Moroney, Chairman of the Board of Management of MorphoSys AG

Slide 20: Segment Review & Outlook: AbD Serotec

Thank you, Arndt. Now let's look at our segment for research and diagnostic antibodies, AbD Serotec. As mentioned at the beginning, AbD Serotec has made great progress under new management. This unit is a source of steady revenue growth and increasing profits. It also offers attractive synergies with our therapeutic activities.

Slide 21: Achievements in 2009 – Business Activities

On the operational side, we established numerous new partnerships. AbD Serotec now works with more than 20 customers from diagnostics. You can imagine this includes some industry leaders. These collaborations are focused on developing our proprietary technologies to create the diagnostic products of tomorrow.

Let me give you an example - our research cooperation with the Swiss foundation FIND. The goal of this collaboration is to introduce heat-stable antibodies for diagnostic kits to detect tropical diseases. FIND is an organisation which focuses on delivering leading, scientifically

proven diagnostic tools for the developing world. In most of these countries, infrastructure as well as medical equipment and trained personnel is an issue. Introducing heat-stable antibodies in diagnostic kits may decrease the risk of shelf-life losses due to hot climates, and enable broader use of diagnostic tests.

The first project we are working on together with FIND is to identify and create heat-stable antibodies against malaria.

This alliance provides a nice example of the higher value-added projects that AbD Serotec is increasingly pursuing. It also speaks to our ability to target opportunities opened up by our unique technologies.

Another focus of our commercial efforts in 2009 was to increase the number of customers who purchase larger quantities of antibodies. In the past, we were very dependent on a rather small number of larger customers in this area. As a result, sales from that business were a bit lumpy depending on the timing of single orders. In 2009 we broadened our customer network in this area and entered into additional partnerships. As a result, we are now much better positioned than in the past.

We have also added more than 1,500 products to our antibody catalogue. New product launches are without a doubt important in the research markets. But more importantly, the share of proprietary products and HuCAL-based products, along with the number of products sold only by AbD Serotec, have increased and the catalogue business generated an attractive gross margin.

All of these achievements in 2009 led to a good financial result in a market that is not growing much at the moment. Our growth rate on constant currencies was 8% and we have achieved a solid operating profit margin of 5%.

Slide 22: Promising Market Opportunities

We are active on two markets. The more attractive of the two is diagnostic antibodies. This market, which has a volume of about seven billion US dollars, holds our biggest potential. We are using our HuCAL technology to create antibodies with special characteristics for diagnostic tests. First, a surprising number of immunodiagnostic tests currently used in practice contain antibodies that are not perfectly suited to the purpose. We are already working on select projects to offer new, improved antibodies to these established markets. Second, there is continual demand for totally new analytical tools for new diagnostic parameters. Here, too, we see excellent opportunities to set the bar higher and introduce product standards that are far superior in quality to products developed with animal-based methods. In all, the diagnostics market offers the best opportunities for dynamic growth and overall revenue potential for our technologies. That's why we are placing heavier emphasis on this market.

Our increased activities in diagnostics are reinforced by a solid foundation in the market for research antibodies. This market is worth about 2 billion US dollars and while its commercial potential is not the same as diagnostics, it represents a very solid, profitable base business. There are several areas, e.g. applications for veterinary research, where we really see advantages over other providers and technologies.

We have a leading technology to produce optimised antibodies. We can deliver antibodies against difficult antigens and perform very specific screenings for antibodies which need to fulfil specific criteria. Our USP is the ability to set ourselves apart from the rest in terms of antibody products, particularly in diagnostics.

That concludes the operational review and I would now like to hand over to Dave for the financial review 2009.

Speaker: Dave Lemus, CFO of MorphoSys AG

Slide 23: Financial review 2009

Thank you, Simon. As you all heard, 2009 was a very positive year for us. Although the global economy saw a major recession, today's results show that MorphoSys's business is intact. Let's take a closer look at the financial results.

Slide 24: FY2009: Key Financials

We achieved the financial targets we set. At 81 million euro, revenues for 2009 came in within our original guidance, which was 80 to 85 million euros. Group revenues rose 13% over the prior year.

Reasons for the planned increase in R&D expenses were twofold: first, higher investments in proprietary development. Second, higher personnel expenses for the Proprietary Development and Partnered Discovery segments. Recall that this R&D represents not only R&D we spend on our own account, but also, services that we perform on behalf of our partners. R&D expenses amounted to a total of 39 million euro, compared to approximately 28 million euros in 2008.

Group operating profit went down by 30% to 11.4 million euro, due to a big increase in expenses for research and development. Although the operating profit decreased compared to the previous year, it was in line with our forecast, and importantly, did not threaten our profitability.

Slide 25: Expenditure on Proprietary Programmes

Let's have a closer look at expenses for proprietary R&D as the largest portion of our operating expenses.

Investment in proprietary product development increased by 10.4 million euros to 19.3 million euros. As you heard from Dr. Schottelius a bit earlier, investment in our proprietary development activities focused on key hires, advancing MOR103 and MOR202, and the additional proprietary development programmes which were started in 2009. Looking ahead, we expect our R&D expenses will increase due to investments in proprietary drug development, but not at the same high rate seen from 2007 to 2010.

For 2010, more than 50 % of our 2010 R&D budget is allocated for the development of MOR103 and MOR202. This includes the costs for the ongoing phase 1b/2a study for MOR103, and the preparation for a second phase 2 study in another indication for MOR103. Furthermore, the budget also contains costs for preparation for the phase 1 trial of MOR202, including the toxicity studies. The remainder of the budget is to be invested in an increasing number of research and discovery programmes and target validation projects such as our collaboration with Galapagos.

Slide 26: Results by Segment

Let's take a closer look at the performance of our business segments. As you recall, the Company extended its segment reporting from two segments to three in 2009. The former "Therapeutic Antibodies" segment was split into two, one being the Partnered Discovery segment, for service partnerships and collaborations, and the other being the Proprietary Development segment, where we conduct all our own proprietary drug development activities.

The main financial contributor for our Company is the Partnered Discovery segment. Revenues in this segment increased by 14% to 61.7 million euro, due to a combination of higher levels of funded research, licensing fees and success-based revenues. Success-based payments increased by 32% to 13.1 million euros. The segment's operating result amounted to 39.6 million euro, an increase of 15% compared to the prior year.

The Proprietary Development segment generated some revenue for the first time, and this stems from funded research of our first co-development programme with Novartis. Our investment in own R&D is reflected in the segment's expenses which have more than doubled to 19.3 million euros over the prior year. On that basis, the segment's operating result for 2009 shows a deficit of 18.3 million euros. Looking at where that investment went, approx. 60% of expenses were spent on the products MOR103 and MOR202, the remainder being invested in our preclinical and research portfolio.

The AbD Serotec segment contributed about a quarter of total Group revenues, with revenues coming in at 19.4 million euros for the full year. Revenues in this segment also increased by 7% over the prior year and were almost in line with our guidance of approximately 20 million euros for the full year. While AbD Serotec's operating expenses increased in 2009, cost of goods sold went down significantly, moving from 7.1 million euros to 6.7 million euro, due mainly to foreign exchange effects. This foreign exchange effect helped to contribute to an operating profit which more than doubled over the prior year to 1.0 million euros.

That concludes my review for the year 2009. I'd like to continue with the results for the first quarter of 2010.

Slide 27: Consolidated Statements of Operations in the 1st quarter of 2010

As you may have already read in our quarterly report, we have enjoyed a good start to 2010. Revenue increased in the first quarter by 8 % to 20.6 million euros.

As planned, MorphoSys increased its investments in proprietary R&D to 4.6 million euros.

This resulted in an operating profit of 4.7 million euros.

The quarterly income after tax increased to 3.2 million euros and the associated diluted earnings per share was 0.14 euros compared with 0.16 euros in the previous year.

With our presentation of the quarterly figures, we reiterated our financial forecast for the year as a whole.

Slide 28: Abbreviated Balance Sheet - Q1 2010

In the balance sheet for the first quarter, you can see that our cash position remains very strong at 147 million euros. Overall, there have been no major changes in the first quarter of 2010 compared with year end 2009.

That concludes our financial analysis of 2009 and the review of 2010, and with that, I would now like to hand over to Dr. Moroney for our business outlook for 2010.

Speaker: Dr. Simon Moroney, CEO of MorphoSys AG

Slide 29: Outlook

Thank you, Dave. You've now had a comprehensive update on 2009. Now I'd like to provide the outlook for 2010 and beyond.

Slide 30: Outlook – Partnered Discovery

With regard to our drug development partnerships, we are looking forward to continued success of our pipeline. As Marlies reported, we've achieved our first proof of concept with our partner Novartis and hope that in the next 18 months, we'll see similar events. We expect the Alzheimer antibody Gantenerumab and potentially other existing phase 1 compounds to move into phase 2. We also project between four and six new INDs from our partners.

Naturally, we will continue to invest in proprietary technology development. New technologies are important when they facilitate the development of even better therapeutic antibodies. This, in turn, is a prerequisite for new business relationships to pharmaceutical companies that are a fixture of our future plans. We have made some interesting technological progress and will announce more details over the course of the year.

For the long term, we anticipate many more projects in clinical development. We currently have our eye on 20 partner programmes that might begin clinical development by the end of 2011.

Of course, there's no guarantee that all of these programmes will be launched in this timeframe or even make it to clinical development, but this figure will give you some idea of the potential of our partnerships over the medium term.

Many clinical programmes are revealing some application opportunities and the future potential of each drug. The total number of projects in the pipeline will also continue to grow.

Apart from the partnerships and programmes we have today, we're looking for completely new business opportunities. In infectious diseases, we have made a first step with our agreement with Daiichi Sankyo and see a potential for additional agreements. We also anticipate that the technological developments I just mentioned will serve as a starting point for new alliances.

Slide 31: Outlook - Proprietary Development

For our proprietary portfolio, MOR103 will of course continue its phase 1b/2a trial in rheumatoid arthritis. We are also preparing for a MOR103 clinical trial in a second indication, thereby underscoring our intention to exploit the full potential of the target molecule for multiple diseases. MOR103 is an active ingredient with blockbuster potential.

We also aim to file a clinical trial application for MOR202 in the final quarter of the year. We will add additional discovery programmes, and existing earlier stage programmes will continue. We hope to be able to provide some information on one or more of these during the course of the year.

I'd like to outline the long term plan for this segment too. One key goal is to deliver convincing clinical data for our MOR103 and MOR202 projects. The quality of this data will decide whether we conclude profitable licence agreements with pharma companies for these products. In recent months, three licence agreements were signed in the industry, demonstrating the huge interest of pharmaceutical companies in new active ingredients for the treatment of RA. In all three cases, the biotech companies received advance payments in the double-digit millions of euros. Then there are many hundreds of millions in additional milestone payments for development, registration, marketing and double-digit bonuses. These agreements highlight the value that companies with innovative and interesting new developmental candidates can create in this industry.

Some fundamental long-term trends shaping the pharma industry will benefit us. The key ones are:

- Incomplete developmental pipelines of the pharma companies that have identified a great need to catch up in R&D;
- A clear trend reversal, away from chemically synthesised active ingredients and toward ones developed via biotechnology. Drugs based on antibodies are critical here.

Slide 32: MorphoSys's Combined Pipeline 2009 - 2010 – Some 80 Product Candidates at Year End

As a result of both segments in the therapeutic area, I would like to give you a short but impressive look at our total pipeline today, and how it will develop in the next months.

This slide shows the complete MorphoSys pipeline, both partnered and proprietary programmes. As you can see, it hardly fits on one slide. At the end of 2010 we expect MorphoSys to be participating in almost 80 unique product opportunities. I can promise that this is already one of the biggest pipelines in this sector worldwide. This pipeline sets the stage for long-term, sustainable added value for MorphoSys.

Slide 33: Outlook - AbD Serotec

The AbD Serotec segment will continue to expand its market share, mainly in the diagnostics field. We project top-line growth in 2010 of up to 10% and an operating margin of 5-8 %. Financially, the segment is growing at about twice the market rate. We will continue to invest in strengthening the organisation and improving its geographic reach. For the long term, we think AbD has a good chance of an up to 20% profit margin.

There are a lot of opportunities out there, and we're well positioned to take them. Here too, we're seeing clear trends that experts feel will change our health care systems forever. These include the greater significance of modern diagnostics for the development and use of new drugs, and a co-mingling of both disciplines. Our technology can serve as an interface. At the same time, we're tapping synergies among our segments, for technology exchange and further development or other business.

Slide 34: Outlook – Group Level

Let's close by looking at the Group's future. We expect total group revenues to grow between 10% and 15%. We will remain profitable while driving the development of proprietary products and technology as fast as possible. We anticipate an operating Group profit of 5-9 million euros.

As far as potential acquisitions are concerned, we're still looking for opportunities to expand our technology platform or grow our AbD segment in diagnostics. In both cases, we would expect an acquisition to help us generate revenues, which would allow us to re-invest in our portfolio.

For the long term, apart from the points mentioned, it's particularly critical that we can finance all of our internal development activities ourselves, while remaining independent of the capital markets. This is a unique feature of our business model and it sets us apart from most high-risk, loss-generating biopharma companies.

Slide 35: Future Value Creation

All in all, we are convinced that we are on track to build real long-term value for our investors. Everyone who follows the biotechnology industry knows that the rewards for the companies that succeed can be enormous. I am convinced that MorphoSys can be one of those companies.

Slide 36: Agenda – Introduction to the Agenda Items

And so, dear shareholders, this concludes the Board of Management report. Before I hand back to the chairman of the meeting, I would just like to say a few words about today's agenda items.

Items 2 and 3:

In items 2 and 3, an agreement is reached regarding the formal approval of the activities of the Board of Management and Supervisory Board for the previous fiscal year. Now that you've heard the Board of Management report, the Chairman of the Supervisory Board, Dr. Möller, will say a few words about the activities performed by the Supervisory Board.

Item 4:

We propose that auditing for fiscal 2010 be performed by KPMG Wirtschaftsprüfungsgesellschaft.

Item 5:

There was a lot of public debate last year about Board of Management compensation for all companies, not only in Germany, but in all industrialised nations. Germany's new law on appropriate executive compensation allows the Shareholders' Meeting to vote on the current BoM compensation plan. We will be doing this today, and are proposing approval of the current BoM compensation system under agenda item 5. Dr. Möller will outline the compensation system for you in a moment.

Item 6:

The proposed authorisation would allow us to buy back our own shares, up to 10% of our stock capital. This authorisation would enable the Board to flexibly use the company's equity for current business needs and react quickly to advantageous stock markets, while protecting investor concerns.

The sale of the company's treasury stock can be done with payment in kind, while disapplying subscription rights, for instance. This would allow the company to offer treasury stock directly or indirectly as payment for corporate mergers or in connection with the purchase of companies, parts of companies or participating interests in companies.

In particular, it is planned to issue treasury stock to management, under the new long-term compensation systems to be developed for board members and managers. Issuing treasury stock to management, in compliance with a multi-year vesting period, is in the interest of the company and its shareholders. It promotes the identification of management and employees with the company and thus creates added value.

Item 7:

ARUG - the law on implementing the shareholder rights directive – has amended certain procedures under stock corporation law, such as the deadline for shareholder meeting notices, for proving eligibility to participate in the meeting, and the exercise of voting rights by a proxy. ARUG also allows shareholders to exercise their rights using electronic media and absentee voting. These amendments necessitate an amendment to the Articles of Association.

Item 8:

This agenda item aims to reduce in our Articles of Association capital that can no longer be used. We propose, therefore, that the relevant capitals are deleted or reduced.

Item 9:

We propose the following new remuneration ruling for the Supervisory Board. The compensation for the Supervisory Board proposed to the Shareholders' Meeting for 2010 includes only fixed remuneration components. It no longer includes performance-based components under the German Corporate Governance Code. The company's decision follows an increasing number of expert opinions about supervisory board compensation. They feel that performance-based compensation for supervisory boards could mean potential conflicts of

interest in an organisation that is supposed to set and evaluate objectives for the company's long-term development.

For this reason, we propose discontinuing performance-based compensation for members of the Supervisory Board, but increasing their compensation, to consist of a base salary and payment for their involvement in committees. Apart from a fixed salary, we would offer meeting fees and money for cooperating in various committees. The total compensation would be a fair market salary for supervisory boards of companies similar to MorphoSys AG in size.

Before I hand back to Dr. Möller, I would like to take this opportunity to thank you, our shareholders, for your ongoing support. I would also like to thank all the Supervisory Board members for their commitment and support. In particular, I would also like to thank all of our employees in the entire MorphoSys group for their work over the past year. Without them and their outstanding performance, we would not be able to report on the tremendous success that we have enjoyed.

Thank you for your attention. I would now like to hand back to Dr. Möller.

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