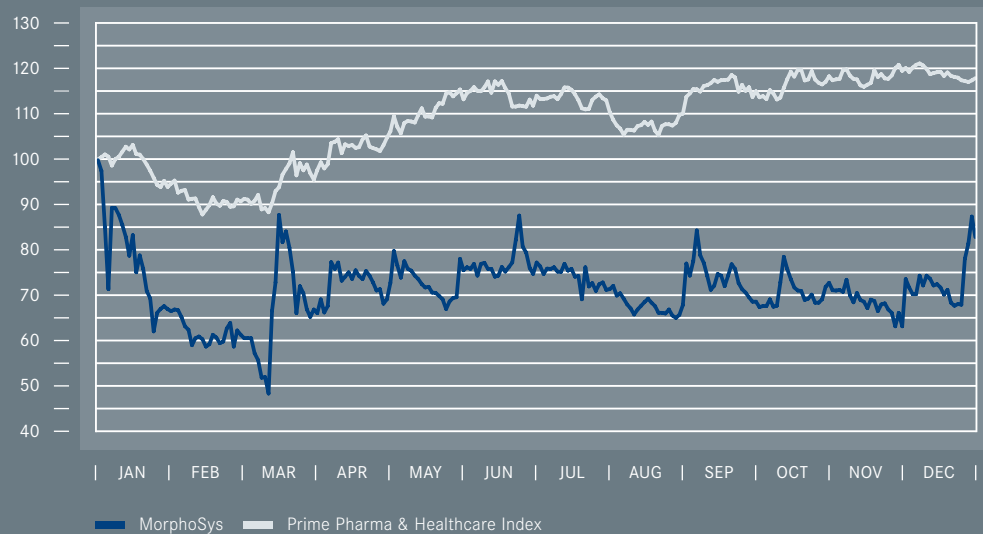


## The MorphoSys Share

The year 2003 witnessed the beginnings of a broader equity market recovery. Unfortunately, these gains did not translate into the performance of the MorphoSys share during the year. After a brief but very strong share price rally at the beginning of the year resulting from the settlement of the patent dispute with Cambridge Antibody Technology (CAT), the MorphoSys share price drifted sideways for the better part of the year, trading in a narrow range. However, with the restructuring plan announced in 2002, MorphoSys used the year to consolidate its activities in order to increase commercial deal flow and strengthen its financial position.

Development of the MorphoSys share price from January 1, 2003 until December 31, 2003, indexed



## The MorphoSys Share

During fiscal year 2003, approximately 11.5 million MorphoSys shares changed hands, representing an increase of more than 5% of trading volume compared to the previous year. Translated into daily volume, an average of 45,000 shares were sold per trading day, compared with an average of 43,000 shares in 2002. The significant increase in trading volume represents not only capital increases executed throughout the year, but also increased visibility among investors. MorphoSys again remained one of the most heavily traded shares during the year, ranking 29th out of 178 technology companies in the Prime Standard segment.

In autumn 2002, the German Stock Exchange announced the introduction of a new indexing system for stocks listed on the Frankfurt Stock Exchange. The index for technology shares, the NEMAX50, was replaced with a new index, the TecDAX. The TecDAX represents the 30 largest technology companies in the Prime Standard index, as measured by market capitalization and trading volume. MorphoSys is presently not part of the TecDAX index, but is listed in the Prime Standard index and is represented in the industry sector index Prime Pharma & Healthcare.

During 2003, the MorphoSys share lost 30% of its value since December 31, 2002, whilst the Prime Pharma & Healthcare index gained by 20%. Using the MorphoSys share price based on December 20, 2002, the day prior to the announcement of the settlement of the patent dispute with CAT, the share price increase would have been 134% for the year.

## Capital Increase and Shareholder Structure

During the year, two capital increases for licenses were executed—one issued to XOMA and the other to CAT.

In 2002, MorphoSys and XOMA concluded a mutual license agreement for their antibody technologies. Under the agreement, the Management Board and the Supervisory Board decided to issue XOMA 363,466 shares as partial payment for the license. In May 2003, the capital increase in favor of XOMA was raised and the corresponding shares issued to XOMA. MorphoSys was pleased to report in the third quarter that, as agreed, XOMA had sold all of its shares in MorphoSys and no longer held a stake in the Company.

In December 2002, MorphoSys and Cambridge Antibody Technology (CAT) agreed a settlement in their longstanding patent dispute. Within the framework of the settlement, CAT received 588,160 MorphoSys shares. In August 2003, the capital increase was executed and the shares issued to CAT. A lockup for the shares was agreed between the two parties.

On December 31, 2003, the number of ordinary shares issued was 4,901,332. On this date, the largest shareholders were CAT, holding 12% (588,160 shares), and Schering with 7.3% (357,880 shares) of the total share capital. Approximately 80% of shares are considered free float, as defined by the German Stock Exchange. Of this amount, roughly 3.5% of these shares are held by the Management Board and the Supervisory Board.

	Number of Shares
<b>Major Equity Issuances: 2003</b>	
Total Shares Issued December 31, 2002	3,949,706
Share Issuance for XOMA	363,466
Share Issuance for CAT	588,160
Total Shares Issued December 31, 2003	4,901,332

### Conversion to IFRS

In 2002, the E.U. Commission decided to introduce the International Financial Reporting Standards (IFRS). The implication of this is that all European publicly traded companies must prepare their accounts from 2005 onwards in conformity to IFRS standards. MorphoSys' consolidated financial statements are presently prepared in accordance with the generally accepted accounting principles (GAAP) in the U.S.A. It is anticipated that MorphoSys will convert its accounts to IFRS prior to this time.

## Corporate Communications



**Dr. Claudia Gutjahr-Löser**  
Director  
Corporate Communications

The most important goal of corporate communication is to provide shareholders with prompt, accurate and comprehensive information. This is achieved through continuous dialog with private investors, institutional investors, analysts and journalists. In this capacity, MorphoSys makes use of all communication distribution channels, such as e-mail, internet and telephone conferences, in order to provide all market participants with the same information at the same time.

Due in large part to the protracted bear market and the resulting difficult financial situation for several banks, during the year there was a reduction in the number of analysts which regularly report on MorphoSys. This was, however, in line with the general trend in which most smaller capitalized companies find it increasingly difficult to attract analyst coverage. Currently, 14 analysts regularly report on the Company—six analysts fewer than at the end of 2002. However, during the year the ratings of 7 out of 14 analysts covering the Company had changed for the positive.

In the 2003 fiscal year, MorphoSys presented its strategy at a number of investor conferences and road shows. MorphoSys intends to increase such activities in 2004. In 2003, a letter to shareholders was also written and distributed, with the purpose of intensifying the dialog with private investors.

An important project aimed at improving communication was the relaunch of the Company's website. As part of the commitment to fair disclosure, presentations and publications such as financial reports are available online and can be downloaded. Information on analyst meetings, telephone conferences, the year-end press conference, and the Annual Shareholders' Assembly is promptly made available on the website. Further information can be found on the Company's website: [www.morphosys.com](http://www.morphosys.com).