

# Building a World-Class Biotech Company

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## **MORPHOSYS OVERVIEW**

By expanding its business globally and by applying its world-class technology successfully to therapeutic development and beyond, MorphoSys is unique in the biopharmaceutical industry as an antibody company with the financial strength and future growth opportunities to remain a leader in the most exiting area of life science research and development.

## **THERAPEUTIC ANTIBODIES**

MorphoSys and its HuCAL technology is present across the worldwide drug development industry through alliances, numerous partnered programs and the Company's own therapeutic projects, all of which represent increasing participation in enabling new lifesaving treatments to reach patients and in accessing the current US\$ 15 billion antibody drug market, which is expected to grow exponentially in the future.

## **RESEARCH ANTIBODIES**

MorphoSys's vision of expanding its presence in the research antibody market and improving antibody application through recombinant engineering of these tools places the Company at the transformative forefront of the industry, providing synergies, exciting new business opportunities and areas for growth beyond drug development.

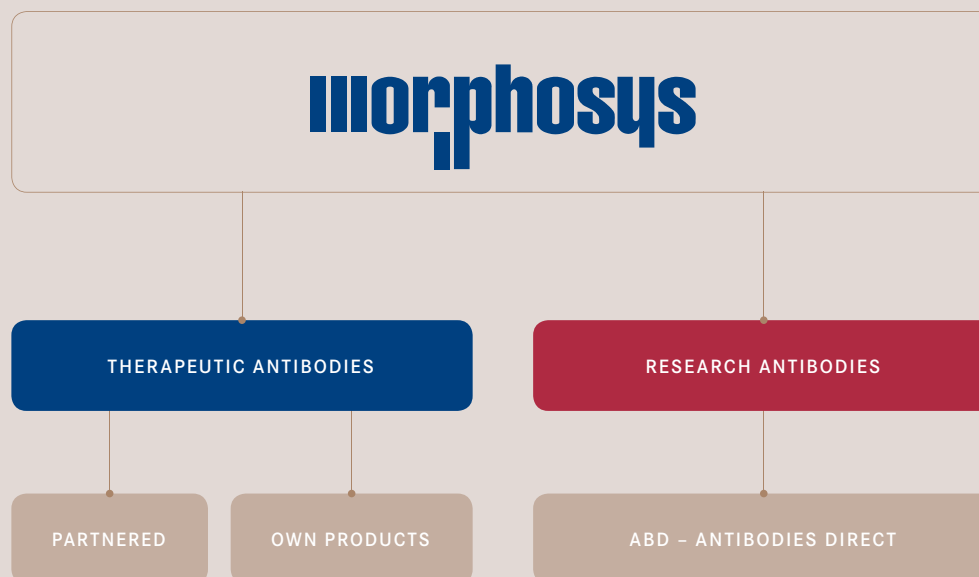
## **FINANCIAL STRENGTH**

In the antibody industry, MorphoSys is alone among its peers in achieving a strong profit margin and top-line growth while increasing long-term shareholder value by pursuing its internal therapeutic development programs. Additionally, MorphoSys participates in successful drug development by its partners through milestone and future royalty payments for marketed HuCAL-based drugs.

## **GLOBALIZATION**

While managing growth carefully, MorphoSys will maintain its leadership position through global expansion with an increasing number of strategic partnerships and strong distribution networks and through innovation in antibody application.

## COMPANY STRUCTURE



	2006	2005	2004
<b>TOTAL GROUP REVENUES</b>	<b>53.0</b>	<b>33.5</b>	<b>22.0</b>
Revenues Therapeutic Segment	34.7	29.1	21.2
Revenues Research Segment	18.3	4.3	0.8
<b>NET RESULT</b>	<b>6.0</b>	<b>4.7</b>	<b>0.3</b>
Segment Result Therapeutic Antibodies	16.6	14.8	6.1*
Segment Result Research Antibodies	(3.4)	(2.9)	(2.4)*

\* Concept of cost allocation was adapted for fiscal years 2005 and 2006.

## Business Mission

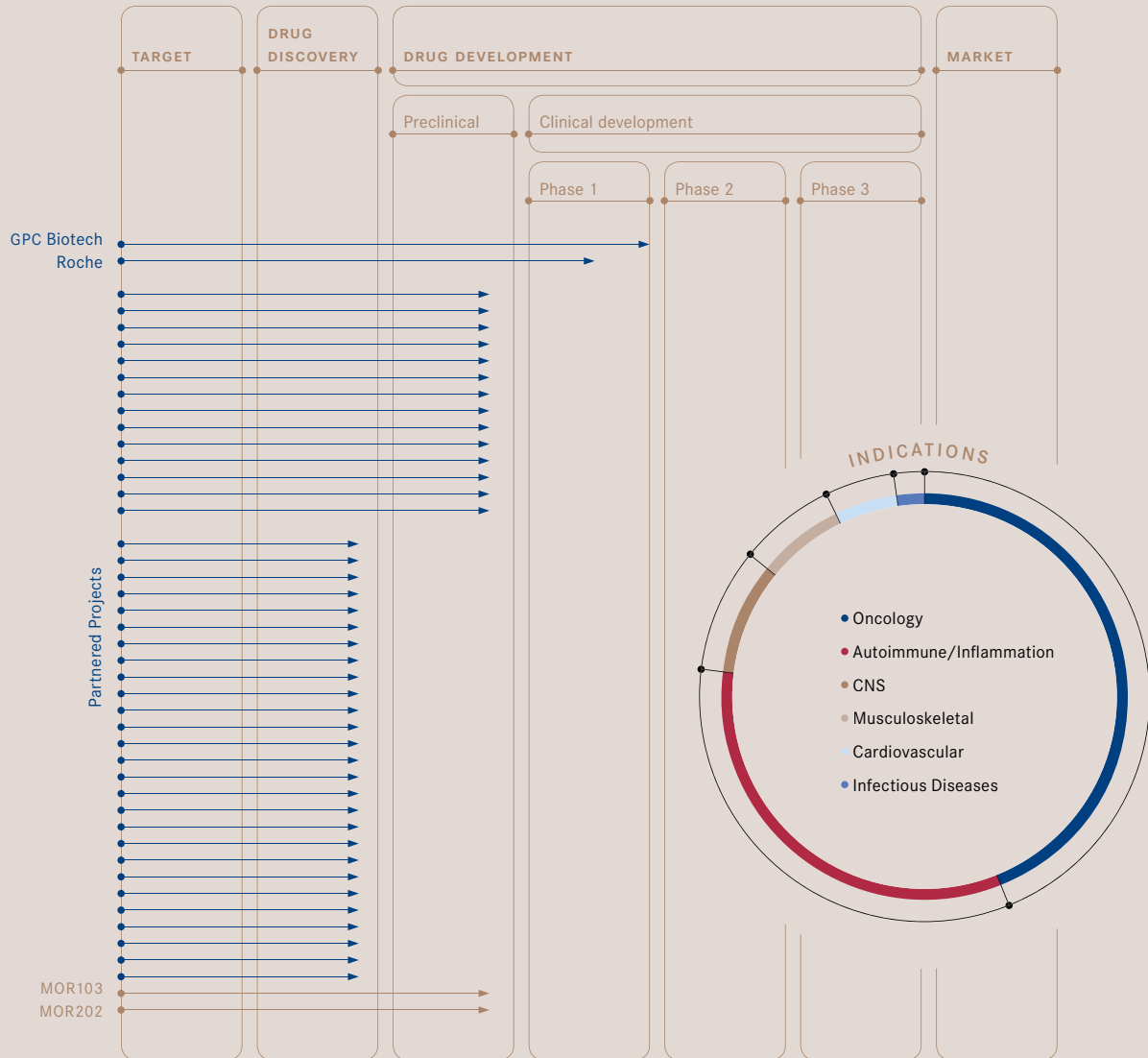
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MorphoSys's strategy is aimed at leveraging its proprietary technologies in two areas, namely therapeutic and research antibodies.

The therapeutic antibody market remains one of the fastest-growing segments of the pharmaceutical industry. In 2006, total sales for the 20 antibody drugs currently on the market amounted to approximately US \$ 15 billion. MorphoSys is and has been active in this dynamic, rapidly growing market for over 15 years. Today, the majority of the top 20 pharmaceutical companies worldwide work with MorphoSys's technologies to discover and develop new antibody drugs.

The research antibodies market overall has posted growth rates of between 10-15% per year over the last several years. Scientists around the world are currently spending some US \$ 1 billion annually on antibodies as research tools. MorphoSys is active in this market through its business unit AbD - Antibodies Direct. AbD is a leading antibody supplier in Europe and among the top 20 research antibody companies worldwide. The market for these tools is currently undergoing a period of technological and structural upheaval. MorphoSys views this development as a strong incentive to build its market position as it presents an excellent opportunity for future growth.

## MORPHOSYS PIPELINE



PARTNERED PIPELINE	2006	2005	2004
Number of active partnered projects	43	29	24
Number of preclinical projects	14	7	8
Number of clinical projects	2	1	0
Milestone payments (€ million)	7.5	6.9	1.4



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## Therapeutic Business

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The Therapeutic Antibodies segment comprises MorphoSys's activities in the area of therapeutic antibodies, which includes MorphoSys's therapeutic antibody alliances with pharmaceutical and biotech companies as well as its own antibody development programs. MorphoSys continues to build value in this area through an established system of license- and development-dependant milestone payments and royalties on all resulting products.

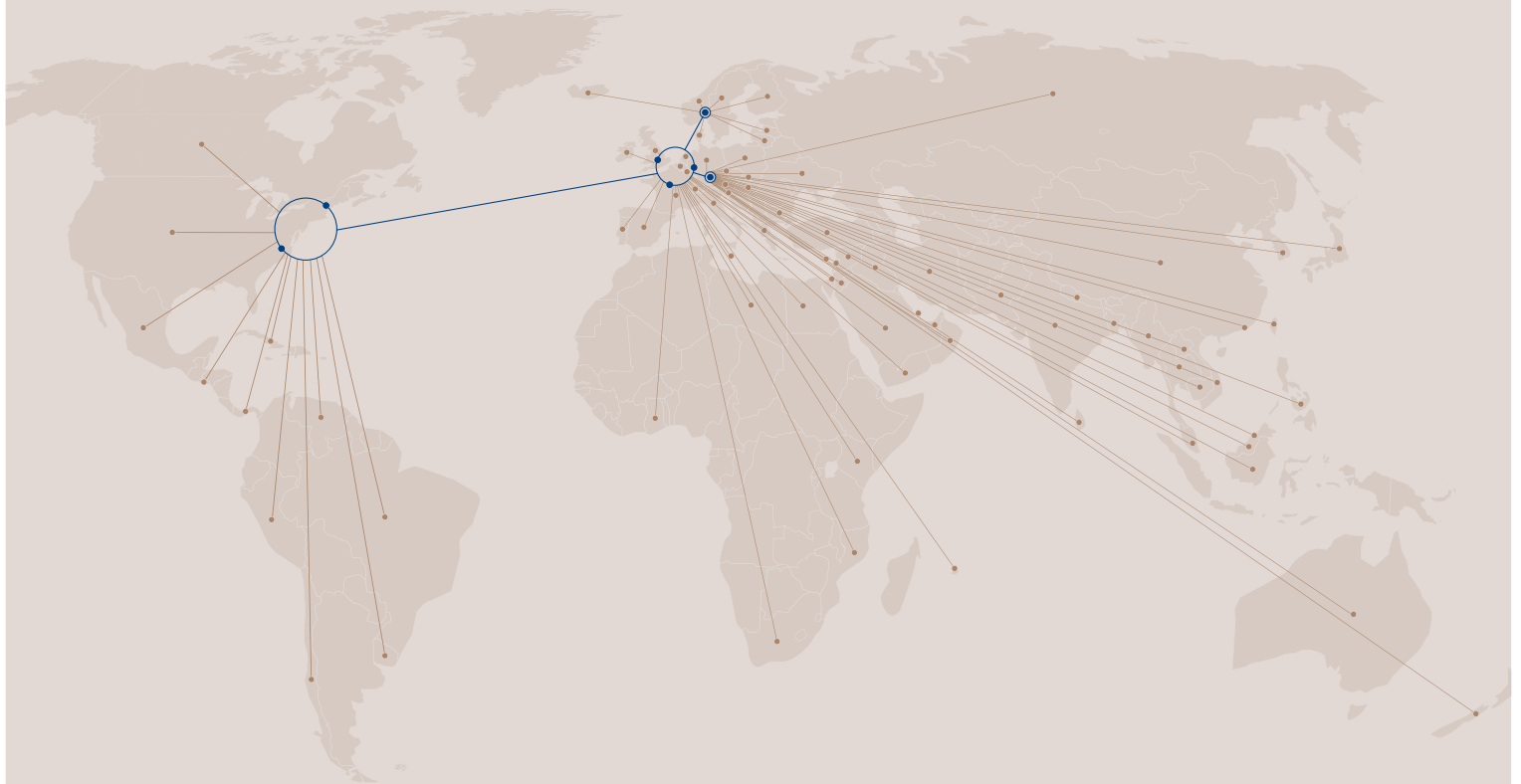
### **KEY COMPETITIVE ADVANTAGES:**

Human antibodies have significant potential to improve the treatment of a myriad of life-threatening diseases. Antibodies of fully human origin are accepted as the next generation of this class of drugs due to their improved therapeutic potential and the reduced risk of unwanted side effects. MorphoSys's core technology provides unique features for drug development, including the maximum level of flexibility and the option to engineer and optimize fully human antibody drug candidates. Based on these advantages, MorphoSys's technology increases the probability for both the Company's partnered and proprietary drug development programs to reach the market successfully.

### **KEY STRATEGIES FOR FURTHER GROWTH IN THIS SEGMENT:**

- Increase the number of active therapeutic projects
- Develop new partnerships and expand existing alliances
- Maximize pipeline value through investment in proprietary drug development

## ABD SEROTEC DISTRIBUTION NETWORK



MorphoSys's AbD Serotec has established a distribution network with more than 100 distributors, to serve customers in more than 70 countries, including all major economic regions.



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## Research Business

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The Research Antibodies segment, called AbD – Antibodies Direct, comprises all of MorphoSys’s activities in the area of non-therapeutic antibody applications. It combines the services of the former units Antibodies by Design and Biogenesis, and the Serotec Group, which was acquired in 2006. By offering leading scientists worldwide easy access to its core HuCAL technology for research antibody applications, MorphoSys promotes the uptake of its technology in established areas of research. In addition, the AbD segment acts as a feeder for new diagnostic and therapeutic commercial applications, providing MorphoSys with access to new markets for the Company’s technologies.

### **KEY COMPETITIVE ADVANTAGES:**

MorphoSys’s core technology HuCAL provides a faster and more flexible way to produce research antibodies because it does not rely on animal-based antibody production. Additionally, the technology can be highly automated, enabling MorphoSys to realize economies of scale by producing antibodies more cheaply and with higher margins than its competitors.

### **KEY STRATEGIES FOR FURTHER GROWTH IN THIS SEGMENT:**

- Expand customer base and distribution network
- Launch new HuCAL-based research products
- Explore new applications for HuCAL