

Interview with Dr. Arndt Schottelius

CHIEF DEVELOPMENT OFFICER OF MORPHOSYS AG

By naming Dr. Arndt Schottelius Chief Development Officer and adding his expertise to the Management Board, MorphoSys is significantly strengthening its in-house therapeutic antibody development programs. Before joining the Company as the fourth Management Board member, he directed early development in immunology and clinical phase 3 studies of anti-CD20 antibodies, targeted against rheumatoid arthritis, for the leading US biotechnology corporation Genentech.

Dr. Schottelius. After nine years of research and development in the USA, what were your main reasons for accepting the position of Chief Development Officer at MorphoSys?

The first thing that interested me was the task of establishing a new paradigm at MorphoSys that would significantly enhance its development as a company. I was already familiar with MorphoSys from my time at Schering and while in the USA, I observed the Company's development as well as the general progress of the biotechnology and pharmaceutical landscape in Germany. I strongly believe that, as a part of what is already an outstanding international management team, we can take the step from being a company with leading antibody technology to becoming a company with a strong antibody pipeline.

What indicates that MorphoSys will be successful in establishing its own in-house drug development?

What I find most noteworthy is everyone's firm conviction about taking this step and becoming more active in HuCAL-based drug development. In addition, I don't think we should underestimate the experience that MorphoSys scientists have already gained from numerous partnership programs: which

target molecules can be addressed well with antibodies, what the best antibodies in our library are, and what the final results of the projects with partners were. The ability to answer those questions represents organically grown experience that can be unbelievably valuable, and it is a resource very few companies have when starting their own pipeline - just as rare as the existence of an established pipeline of partnership programs to finance their own activities.

Which HuCAL technology strength would you say is the most important?

The very fact that MorphoSys has its own technology, which has been validated through partnerships and functions as a source of drug candidates, is promising. Scientists at other pharmaceutical developers often have to ask themselves at least two fundamental questions: do I trust my approach, the target molecule and my understanding of its importance for pathogenesis, and do I trust the technology that produced the active agent, my compound? MorphoSys has already taken care of one of the variables in that equation. By now, it's generally accepted that every disease-relevant target molecule must be seen as a molecule containing several approaches for therapy. The true art is targeting the right target molecule at



the right spot – that is how opportunities for new, innovative therapeutic approaches are created. To do this, you need a technology that delivers highly diversified antibody candidates with therapeutic properties. With the completion of HuCAL PLATINUM, MorphoSys has once again established a leading system in antibody research for this purpose.

What are the biggest hurdles to overcome in successfully developing a drug?

For me, the close interaction between the research and development departments throughout the entire drug development process is crucial for overall success. As we continue to establish MorphoSys's internal development department, we will especially emphasize creating a structure in which research and development cooperate on an equal footing. That sounds obvious, but especially in large companies it's not a given. My first position at Genentech, for example, had been a newly created position with the main objective of building a bridge between research and development.

Your most recent position was directing major phase 3 studies for the antibody drugs Rituximab and Ocrelizumab. Both therapeutics are geared toward the treatment of inflammatory diseases. Where do you see MorphoSys's lead program, MOR103, positioned in this market?

As is well-known, the market for rheumatoid arthritis is competitive. I wouldn't advise any new company to try to become active at this point with a "me too" approach. At the same time, the need for medications with new therapeutic approaches remains high. In my opinion, MorphoSys's MOR103 program represents a very promising approach for treating rheumatoid arthritis and potentially alleviating other inflammatory diseases. It is an innovative approach that makes a great deal of scientific sense and that has already been well validated through preclinical and clinical findings. In addition, we also believe that the target molecule GM-CSF was wrongly somewhat overlooked – meaning that the competition in this area is comparatively small. By cooperating with the University of Melbourne and developing our own know-how in inflammatory diseases, we've established a deep understanding for the biology of this target molecule.

