

Letter to the Shareholders

Dear Shareholders,

I am very pleased to present our 2015 Annual Report following a year of solid progress for MorphoSys. Comprising 103 programs in 60 active clinical trials, our product pipeline – the primary source of the Company’s value – is broader and more mature than ever before. The first therapeutic antibodies are nearing market approval, bringing us closer to a product-based revenue stream that we expect to grow significantly in the years ahead. Meanwhile, our proprietary development portfolio is expanding and the two most advanced programs are approaching the decisive stage of clinical development. Across our entire pipeline, we see many programs which have the potential to transform the treatment of the diseases they address, to the benefit of all of our stakeholders, not least, the patients who they will help.

MOR208 is our most advanced proprietary program and our key focus. We are developing this antibody to treat B cell malignancies and are aiming to offer patients in this area of substantial unmet medical need a new, effective and durable treatment option. In the past year, MOR208 has delivered compelling phase 2 clinical data in two indications, confirming the progress we are making and the outstanding potential of the program. Based on our findings, we have initiated a campaign of several clinical studies to drive MOR208’s development forward in the settings where it can make the greatest difference to current medical practice. At the center of this campaign are two studies in diffuse large B cell lymphoma, one of which we expect to transition directly into phase 3 in 2017. This could become the first pivotal study within our proprietary development activities and would mark yet another major milestone in the history of MorphoSys. Chronic lymphocytic leukemia is a second focus indication for MOR208, specifically in patients who no longer respond to ibrutinib, for whom the prognosis is very poor. In both of these indications, the medical need is great, and the options are few.

MOR202, our second clinical antibody for blood cancers, also made encouraging progress in the reporting year. Despite an unexpected setback in March 2015 when our partnership with Celgene ended, we reported very encouraging clinical data in December. Based on all the efficacy and safety data we have collected so far, MOR202 is shaping up to be a genuine advance in the treatment of multiple myeloma.

The two most advanced programs in our proprietary development portfolio were augmented in 2015 by a third clinical candidate, MOR209/ES414. This bispecific antibody is being developed to treat prostate cancer, in partnership with the U.S. biotechnology company Emergent BioSolutions. Shortly after MOR209/ES414 entered the clinic, our acquisition of Lanthio Pharma brought us MOR107, a product of their highly innovative lanthipeptide platform, which we aim to take into clinical trials in 2016. Furthermore, we are fast approaching the start of clinical development of MOR106, an exciting antibody from our collaboration with Galapagos. By year-end 2016, our Proprietary Development segment could comprise six clinical programs, which would be an all-time high, and validation of our efforts to build a sustainable therapeutic portfolio.

As we advance our proprietary programs, we are nearing the first market introductions of products emerging from our partnered discovery alliances. Novartis's bimagrumab could become the first therapeutic antibody to reach the market from our proprietary HuCAL platform. In the first half of this year, we expect decisive phase 3 data with this agent in sporadic inclusion body myositis – a rare disease for which there is no effective treatment. We are also looking forward to phase 3 results for guselkumab, a HuCAL antibody for the treatment of psoriasis, being developed by Janssen. As I write this, there are 89 programs in our Partnered Discovery segment, 12 of which are in phase 2 or phase 3 clinical development.

Management of MorphoSys

MorphoSys has entered a very exciting stage of its corporate development. Over the past several years you have seen us progress from being one of the leading providers of antibody technology to become a drug discovery and development organization with a highly attractive therapeutic portfolio. Our proprietary development programs, led by our cancer antibody MOR208, are now approaching an important stage of development and now is the time to scale our investment to ensure that we capture the full value of our portfolio. Our long-term ambition is to become a fully-integrated, commercial biopharmaceutical company marketing its own products. We are convinced that this is how we can best build substantial value for our stakeholders and are well-positioned to execute this strategy.

Since the beginning of 2016, MorphoSys's shares and those of many other biotechnology companies have been affected by the tremendous volatility that has hit stock markets globally. Nevertheless, MorphoSys, with financial resources of EUR 298 million at the end of the reporting year, is in a position of strength. Our solid financial foundation, combined with our well-known disciplined approach to investment, provides a firm basis from which we can build future value.

We owe our success to the efforts of our highly dedicated employees. I would like to thank them for their consistent hard work on behalf of the MorphoSys Management Board and all of our important stakeholders, including our partners, investors, and, increasingly, patients. I would also like to thank you, our shareholders, for your continued support. I am sure you will join me in wishing our Company a successful 2016.



DR. SIMON MORONEY
Chief Executive Officer