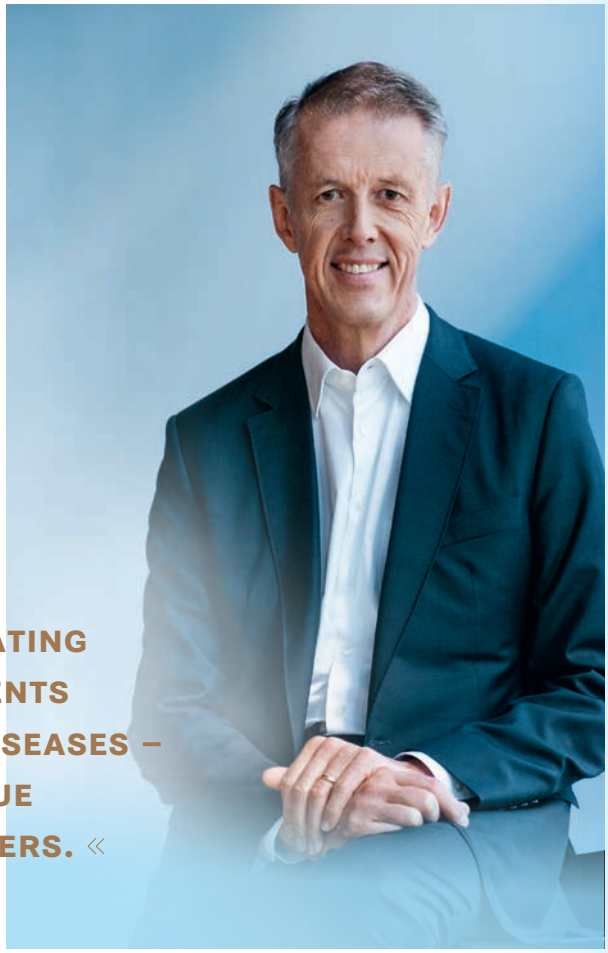
Dear fellow shareholders, ladies and gentlemen,

The year 2018 was an outstanding one for MorphoSys. Our achievements in R&D, corporate development and in strengthening the company's finances combine to take us significantly closer to our objective of making MorphoSys a fully integrated biopharmaceutical company.

All stakeholders in MorphoSys as well as many qualified observers were deeply impressed by the progress made with our lead investigational program, MOR208, in 2018. By year-end, this program had emerged as one of the most interesting new cancer drug candidates in the pharmaceutical industry. We also made excellent progress elsewhere in our Proprietary Development segment, with deals on MOR106 and MOR210 and encouraging developmental advances for MOR202 and MOR103. The potential in our Partnered Discovery segment was highlighted by the commercial success of Janssen's drug Tremfya®, which reached over half a billion U.S. dollars in sales in its first full year on the market. We expect this segment to become an increasingly lucrative source of income, which we will use to grow our business, with a clear focus on our Proprietary Development programs, particularly MOR208.



» **WE ARE COMMITTED TO CREATING NEW TREATMENTS FOR PATIENTS SUFFERING FROM SERIOUS DISEASES – AND THEREBY BUILDING VALUE FOR ALL OF OUR STAKEHOLDERS.** «

Dr. Simon Moroney, Chief Executive Officer

With compelling clinical data, breakthrough therapy designation from the FDA and a clear view of the path to market, we decided to commercialize MOR208 in the U.S. and to build an organization there for this purpose.

In April, we completed a highly successful listing of the company's shares on the Nasdaq stock exchange. We made the decision to list on Nasdaq to ensure we make the most of the enormous opportunity that MOR208 represents for MorphoSys. With maturing clinical data, breakthrough therapy designation from the FDA and a clear view of the path to market, we are planning to commercialize MOR208 in the U.S. and are building an organization there for this purpose. This plan resonated well with investors, leading to an oversubscribed Nasdaq offering with gross proceeds of US$ 239 million. We are establishing our commercial organization in the U.S. and the first senior executives have now been recruited. We are building with a very clear goal in mind: to ensure that the market launch of MOR208, subject of course to regulatory approval, will be a success. If all goes according to plan, this could happen as early as mid-2020.

All of us here at MorphoSys are very excited about the potential opportunity to bring MOR208 to market and to help patients suffering from a particularly aggressive form of cancer, diffuse large B-cell lymphoma (DLBCL). We are very encouraged by the most recent clinical data from our ongoing study of MOR208 in combination with lenalidomide (L-MIND) in relapsed or refractory DLBCL. These data, which we presented in December at the American Society of Hematology (ASH) Annual Meeting, were superior to the results that we had published previously in respect of response rates and especially progression-free survival. One third of all patients who participated in the study have experienced complete regression of their tumors, and several are still in remission after two years. If approved, the combination of MOR208 and lenalidomide could provide a new chemotherapy-free regimen to patients who are in urgent need of more therapeutic options. Ultimately, we believe that MOR208-based therapies have the potential to become a treatment alternative for patients with a variety of B-cell malignancies, and our goal is to

» **WE WILL WORK CLOSELY WITH THE FDA TO DEVELOP OUR BLOOD CANCER ANTIBODY MOR208 TOWARDS APPROVAL AS FAST AS POSSIBLE.** «

Dr. Malte Peters, Chief Development Officer

make these available to as many patients as possible. To that end, we already announced plans to bring MOR208 into front-line development in DLBCL later this year.

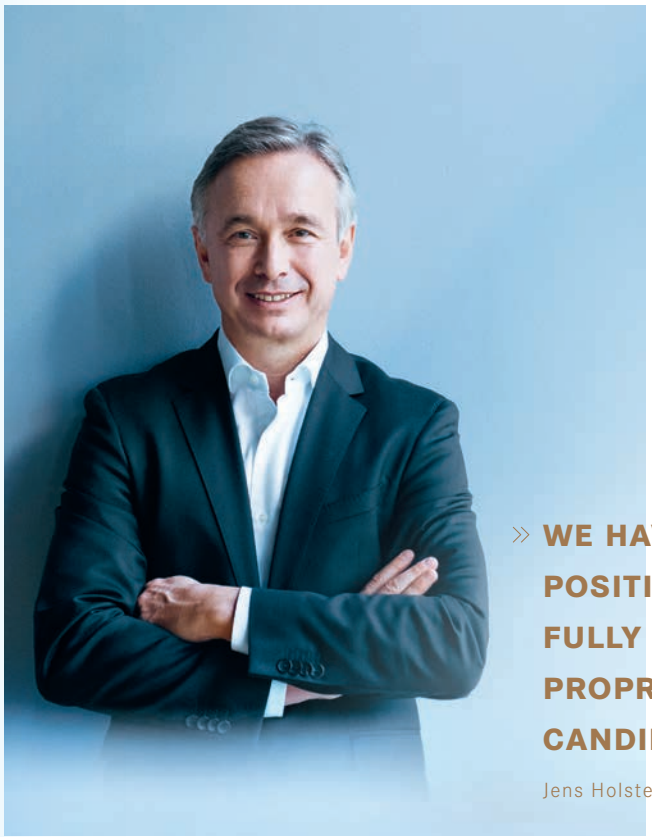
Over the course of the year, we also made outstanding progress with the other programs in our Proprietary Development segment. In July, we were delighted to announce that, together with our partner Galapagos, we had entered an exclusive global license agreement with Novartis for MOR106. We are developing this antibody as a potential treatment for atopic dermatitis, a debilitating skin disease that affects over 80 million people across the world's seven largest markets for pharmaceuticals. Bringing medicines to such a large patient population is extremely challenging, which is why it made sense for us to secure the cooperation of a large partner. The deal with Novartis will enable us to advance MOR106 as quickly and broadly as possible while allowing us to allocate more resources elsewhere, in particular, to the development of MOR208.

Another important partnership is our exclusive strategic collaboration and regional licensing agreement with I-Mab Biopharma for MOR202. I-Mab is

Our partnerships should provide a growing revenue stream in the years ahead, they allow us to enter new territories and they enable us to exploit the full potential of products based on our technology.

moving forward with the development of MOR202 as planned and expects to initiate pivotal clinical trials in multiple myeloma during 2019. In November 2018, we expanded our agreement with I-Mab to include a pre-clinical program, MOR210. Our relationship with I-Mab takes our product candidates into territories, most importantly China, that it would be difficult for us to target ourselves, while allowing us to retain rights in the rest of the world – a true win-win outcome. We will continue to pursue our own development plans for MOR202 and aim to start a clinical trial in an autoimmune disease later this year.

Rounding out the progress in our Proprietary Development segment in 2018 was the confirmation from GSK that they intend to continue developing MOR103 in rheumatoid arthritis. We look forward to the start of a phase 3 clinical trial during 2019.



While our intense focus on MOR208 demands the majority of our investment, it is important to acknowledge the solid foundation that our Partnered Discovery segment provides for our business. Partnerships in this segment provide value on several fronts: they should provide a growing revenue stream in the years

» **WE HAVE A VERY SOLID FINANCIAL POSITION THAT ALLOWS US TO FULLY EXPLORE THE VALUE OF OUR PROPRIETARY THERAPEUTIC CANDIDATES.** «

Jens Holstein, Chief Financial Officer

» IN ORDER TO FURTHER STRENGTHEN OUR PIPELINE, WE BRING NEW INNOVATIVE PRODUCT CANDIDATES INTO CLINICAL DEVELOPMENT. «

Dr. Markus Enzelberger, Chief Scientific Officer

ahead, they allow us to enter territories that it would be difficult for us to reach on our own and they enable us to exploit the full potential of products discovered using our technology.

A great example is Janssen's Tremfya®, the first therapeutic agent based on MorphoSys's proprietary technology to gain market approval. Tremfya® was first approved in 2017 in the U.S. for the treatment of plaque psoriasis. Other countries followed shortly thereafter. In 2018, its first full year on the market, total sales were US$ 544 million, meaning that Tremfya® is well on its way to becoming a blockbuster. In its core indication of psoriasis, Janssen reported new clinical data in 2018 demonstrating superiority over competitor Cosentyx® in a head-to-head clinical study, based on a very important clinical metric, the PASI 90 score at week 48. Janssen is conducting 12 late-stage clinical trials of Tremfya® in a variety of settings, illustrating the advantage for us of working with a committed partner. We expect sales of Tremfya® to continue to grow strongly in the years to come, from which MorphoSys will benefit through our royalty participation.

To conclude, I would like to mention two critical factors that have contributed to MorphoSys's success and our ability to grow. First, our technologies, on which our extraordinarily rich product pipeline is based. Second, our dedicated and highly capable people, without whom none of our achievements would

have been possible. On behalf of MorphoSys's Management Board, I would like to express our deep gratitude to all of them for their ongoing efforts, creativity and commitment to our company's success.

I would also like to thank you, our shareholders, for your continued support and for your belief in the company.

Allow me to conclude with a few words on my own behalf. On February 19, 2019, I informed the Supervisory Board of MorphoSys that I will not renew my contract as a member of the company's Management Board. As a result of this decision, I will step down as CEO on expiry of my current contract on June 30, 2020, or when a successor is appointed, whichever comes sooner.

I am immensely proud of everything we have achieved over the past 27 years since MorphoSys was founded. MorphoSys today is stronger than it has ever been and I have every confidence in its future. There is only one reason for my decision: after dedicating such a long time to MorphoSys, I am looking forward to having more time for other interests, and to exploring new opportunities.

In the meantime, it's business as usual. We look forward to another exciting year ahead as we advance to the next stage in our growth – becoming an integrated commercial biopharmaceutical company.

MorphoSys is stronger than it has ever been. We look forward to another exciting year ahead as we advance to the next stage in our growth – becoming an integrated commercial biopharmaceutical company.

DR. SIMON MORONEY
CHIEF EXECUTIVE OFFICER