Dr. Jean-Paul Kress, Chief Executive Officer

Jens Holstein, Chief Financial Officer

Dr. Malte Peters, Chief Development Officer

Dear ladies and gentlemen,
dear fellow shareholders,

The year 2019 was marked for MorphoSys by major progress and achievements, as well as corporate evolution. We have made great strides in evolving from a best-in-class, research-based technology provider towards becoming a fully integrated biopharmaceutical company covering the entire value chain from research and development to commercialization of drug candidates. In particular, the last year took us even closer to our goal of bringing our first proprietary investigational product, tafasitamab, to the market in the U.S., a remarkable event we plan for mid-2020, assuming approval by the U.S. Food and Drug Administration (FDA).

We ended 2019 with the achievement of a significant milestone - the submission of a Biologics License Application (BLA) for tafasitamab, our lead proprietary development candidate and key asset, to the U.S. FDA for the treatment of a particularly aggressive form of blood cancer, diffuse large B cell lymphoma (DLBCL). The BLA submission was based on data from two clinical trials, both of which had positive data readouts in 2019. In May, we announced that the primary endpoint had been met in the phase 2 trial L-MIND evaluating tafasitamab plus lenalidomide in relapsed or refractory (r/r) DLBCL patients, confirming the overall positive data reported previously from this trial. The detailed data were presented at the 15th International Conference on Malignant Lymphoma (ICML) in June and showed a complete response rate of 43 % and a median response duration of 22 months, which is very encouraging.

In autumn, we announced that the Re-MIND trial also achieved its primary endpoint of best objective response rate. This real-world data study demonstrated the clinical superiority of tafasitamab plus lenalidomide, based on data from the L-MIND study, compared to lenalidomide alone, based on real-world patient data.

We believe that the compelling results from the Re-MIND and L-MIND studies form the basis for a very robust submission package. MorphoSys team members worked hard to enable us to achieve the BLA submission on time.

We were pleased that the FDA accepted the filing of our Biologic License Application (BLA) end of February this year and granted priority review. The tafasitamab – lenalidomide combination, if approved, could offer critically ill and heavily pretreated patients a new treatment option and we are excited that tafasitamab could be our first drug candidate to reach the market and patients in 2020.

To prepare for a successful launch of tafasitamab, we escalated the build out of our U.S. commercial organization through 2019 and held the official opening of our U.S. subsidiary in Boston in November. During the year, we filled key positions with highly experienced executives to grow our U.S. team, including Heads of Commercial Operations, Sales & Marketing, Medical Affairs and Market Access & Policy. We are pleased with the incredible talent we have been able to attract at all levels of the organization. Our Medical Affairs team and our sales force are following a multi-stakeholder strategy and are already successfully establishing relationships with healthcare professionals and oncologists across the U.S.

To complement and amplify our own activities, we made a great start into 2020 and announced in January a worldwide partnership with Incyte Corporation to further develop and co-commercialize tafasitamab. We had many suitors, but we chose Incyte as the perfect partner to help us maximize the opportunity for this product candidate with their strong commitment and commercial and development acumen. The economics are excellent for MorphoSys, but, beyond the financial aspects of the deal, we wanted a partner who would consider tafasitamab to be the centerpiece of their product portfolio. Incyte has a strong footprint in hematology-oncology in the U.S., as well as in Europe, and tafasitamab will be a key asset for them, as it is for us. In the U.S., we will co-commercialize tafasitamab sharing profits and losses on a 50:50 basis, MorphoSys will lead the commercial strategy and book all revenue, whereas ex-U.S. we will benefit from Incyte leading the commercial strategy, paying MorphoSys royalties on net sales.

In the U.S., our initially most important market, the partnership will enable us to double the intensity of our efforts to reach patients and physicians and ensure that tafasitamab is best-positioned for a successful launch. Incyte plans to submit for marketing approval in Europe in mid-2020, and they

have already indicated that they intend to pursue development in additional territories beyond the U.S. and Europe, including Japan and China.

Both companies truly believe that tafasitamab is a "pipeline in a product", which means that the product candidate could be used as a therapeutic option in various indications, and both companies are highly committed to developing tafasitamab in new indications to fully unlock its potential.

We have another ongoing trial in r/r DLBCL – B-MIND – evaluating tafasitamab in combination with bendamustine. During 2019, following discussions with regulatory authorities, we amended the trial with a co-primary endpoint based on a biomarker, which is low baseline peripheral blood natural killer (NK) cell count. The biomarker identifies a patient group with a particularly poor prognosis, and we think that tafasitamab's potential ability to enhance NK cell recruitment may be of particular benefit to this group. The trial passed a futility analysis in late 2019.

Also in 2019, we initiated a phase 1b trial – First-MIND – in newly diagnosed DLBCL patients to evaluate the safety and preliminary efficacy of tafasitamab as a first-line treatment in combination with the current standard of care. This phase 1b study will serve as the basis for a potential subsequent pivotal phase 3 study in first-line DLBCL. We also have ongoing a phase 2 trial – COSMOS – in chronic lymphocytic leukemia/ small lymphocytic lymphoma; data from this study were presented at the ASH conference in late 2019.

In summary, tafasitamab is certainly our key proprietary asset, given its advanced stage and market potential, and we and Incyte are working hard to be prepared for a successful launch by mid-2020 and to broaden its development. However, thanks to our strong discovery capabilities and partnerships, we have a broad pipeline of clinical and pre-clinical proprietary programs behind our lead candidate, several of which also made progress over the course of 2019.

We also made good progress during the past year with our anti-CD38 antibody, MOR202. We initiated a phase 1/2 study in membranous nephropathy, an autoimmune disease affecting the kidneys for which currently no approved treatments exist. MOR202 is partnered with

I-Mab for Greater China, and during 2019, I-Mab initiated two pivotal trials in multiple myeloma, which triggered milestone payments to MorphoSys totaling US$ 8 million.

We were pleased that, in mid-2019, GlaxoSmithKline (GSK) started a phase 3 development program in rheumatoid arthritis (RA) with otilimab (MOR103), an antibody generated by our proprietary HuCAL® technology. RA is a chronic and debilitating autoimmune disease for which alternative treatment options are urgently needed, and we look forward to the ongoing development by our partner GSK. The trial initiation triggered a € 22 million milestone payment to us.

In addition to our Proprietary Development programs, we have numerous Partnered Discovery programs. A great example is Tremfya®, the first product generated from our discovery engine to enter the market. Janssen has the development and commercialization rights to Tremfya. In 2019, which was Tremfya's second full year on the market, worldwide sales surpassed US$ 1 billion, making this drug a blockbuster. MorphoSys receives royalties and a consistent revenue stream from Tremfya sales. We are pleased by Janssen's continuous work and their commitment to expand the indications for this drug beyond its first approval in plaque psoriasis. In 2019, Janssen submitted a supplemental BLA for Tremfya for the treatment of psoriatic arthritis in the U.S. and also for marketing approval in Europe. Several clinical trials in other indications are ongoing and we look forward to the emerging data in the years to come.

Other Partnered Discovery programs include bimagrumab, which is being developed by Novartis for the treatment of type II diabetes. In 2019, the first data with this antibody were presented from a trial in overweight and obese patients.

While our strategy is increasingly focused on independently developing our proprietary programs, we look forward to further progress with our Partnered Discovery projects, providing us with potentially significant future revenue streams to fuel our own pipeline.

Looking back, 2019 was a year of not only achievements but also of change, and on September 1st, I had the honor and privilege to become CEO of

MorphoSys. I would like to take this opportunity to say how thrilled I am to lead this incredible team at this transformative time in its history. We will tread completely new paths to enter the next level during our business evolution, and I look forward to the exciting times ahead of us.

In this context, I would like to thank Dr. Simon Moroney for his dedicated leadership over the past 27 years as CEO of MorphoSys. His extraordinary vision and innovative thinking built the ground for the successful biopharmaceutical company MorphoSys is today.

I would also like to acknowledge Dr. Markus Enzelberger, the company's Chief Scientific Officer, who left MorphoSys at the end of February. Although our tenures only briefly overlapped, I would like to recognize Markus' vital contribution to our success and convey the gratitude that all of us at MorphoSys owe him for his exceptional service over the past 17 years.

On behalf of the Management Board, I would like to express our heartfelt thanks to all of MorphoSys' employees on both sides of the Atlantic for their ongoing efforts, creativity and commitment to our company's success. It is an exciting and challenging time as we complete our transformation into a fully integrated biopharmaceutical company, and everyone's dedication is truly appreciated.

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

In the end, it is patients who are at the core of all we do, and we are working hard to deliver truly innovative drugs to improve the lives of patients with serious diseases. We look forward to sharing our progress and achievements with you in the year ahead.

Sincerely,

Dr. Jean-Paul Kress, M.D.
Chief Executive Officer and Chairman of the Management Board