



YE2010 – Conference Call

The spoken word shall prevail.

Speaker: Dr. Claudia Gutjahr-Löser, Head of Corporate Communications & IR

Good afternoon and good morning and a warm welcome to our 2010 year-end results conference call and webcast. I am Claudia Gutjahr-Löser, Head of Corporate Communications & IR of MorphoSys. I am here today with our complete Management Board: Simon Moroney, our CEO, Dave Lemus, our CFO, Arndt Schottelius, our CDO, and Marlies Sproll, our CSO.

First, we would like to thank you for participating. For the participants of the conference call, you can find the slide deck presented today on our corporate website.

During the call, we would like to talk about the Company's financial results of 2010, and we will provide an outlook for 2011. We will then open the call up for your questions.

Slide 2: Safe Harbor

Before we start, I want to remind you that during this conference call, we will present and discuss certain forward-looking statements concerning the development of MorphoSys's core technologies, the progress of its current research and development programs and the initiation of additional programs. Should actual conditions differ from the Company's assumptions, actual results and actions may differ from those anticipated. You are therefore cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof.

I would now like to hand over to Simon Moroney.

Speaker: Dr. Simon Moroney, CEO of MorphoSys AG

Thank you Claudia, and also from me a warm welcome to this, our 2010 year-end results conference and webcast.

2010 was an outstanding year for MorphoSys. 2011 promises to be even better. Exactly why, we will share with you during the presentation.

But before we get started, you will have seen that we announced this morning the departure of Dave Lemus, our CFO. This will be Dave's last results presentation with MorphoSys, and I'd like therefore to take this opportunity to thank him for all his hard work at MorphoSys. The strong position that the Company is in today has a lot to do with Dave's performance and influence as CFO of the Company for the last 13 years. We wish him all the best for the future.

Dave Lemus

Many thanks, Simon, for your kind words.

It's been a really great experience to have served with you and the rest of the team over the last several years. Although the list is simply too long to name individuals, I'd like to take the opportunity to thank all the people inside and outside of MorphoSys, who have helped us build the Company over the years. I leave MorphoSys knowing my job is done here – MorphoSys stands today as one of the preeminent life sciences companies in Europe. Moreover, I remain confident that MorphoSys prospects for the next decade will be at least as promising as those of the previous one.

Best of luck, Simon, to you, and the rest of the MorphoSys crew, going forward.

Slide 3: Contents

Let's start by taking a look at how the presentation will run. We have two parts. First, we'll review 2010, focusing on Pipeline, Technology, AbD Serotec and Financials, and second, we'll provide an outlook covering the same themes. The presentation will last about 30 minutes.

Slide 4: Pipeline

First then, to our drug pipeline:

The number of our antibodies in clinical development more than doubled in 2010. We started the year with 8 of our antibodies in the clinic and finished with 17. That is serious progress. This time last year we told you that between 4 and 6 partner programs would enter phase 1 in 2010. The final count was 8, well above our expectations. What this means is that our pipeline has advanced even faster than we thought. And very importantly, the probability that products will make it to market has also therefore increased, which will lead to a lucrative royalty stream.

Slide 5: Growing Significance of the MorphoSys Pipeline

As a result of the INDs last year and programs advancing into phase 2, roughly a quarter of our pipeline today is in clinical development. As you can see, we have come a long way from the

situation just a couple of years ago and our pipeline will mature even further over the coming years.

What this also means is that MorphoSys's share of the entire industry's antibody pipeline has grown dramatically. With close to 80 therapeutic antibody programs based on our platform, HuCAL is the most productive antibody library technology in the entire industry today.

Slide 6: Range of Indications of Clinical Candidates Proves Broad Utility of MorphoSys's Therapeutic Antibodies

If we take a look at those 17 programs in the clinic, we see something remarkable, which is the range of indications. One of the great strengths of our business model is that it enables us to participate in drug sales in many therapeutic areas and geographies for a long period of time. This underlines not only the productivity of our business but as well its sustainability in the long run.

If we add up all of the volunteers and patients who will receive our antibodies in all of the trials currently ongoing, we come to over 1,500. This is another way of seeing the impact of our technology in the industry, and is a very impressive statistic.

Slide 7: HuCAL-based Products Target Major Markets

Another aspect is the size of the markets that are being addressed. As you see on slide 7, there are major commercial opportunities. Gantenerumab for instance, Roche's Alzheimer's disease drug candidate addresses an enormous unmet medical need. All of the other HuCAL drugs currently in phase 2 trials also have huge medical and commercial potential.

Slide 8: MorphoSys Has Built One of the Industry's Broadest Antibody Pipelines

Slide 8 is an up-to-date snapshot of the entire pipeline. For those of you who know this slide, we've condensed it somewhat to make it a bit more legible.

The first point to note is that the number of named programs is increasing. This leads to greater visibility and provides more information for investors and analysts to dig into. This is certainly one reason why our shareholder base is changing to include more specialist funds, particularly US-based. This trend to greater visibility is one that we're very excited about.

To summarize the progress last year:

- Eight new partnered programs and one proprietary program advanced into phase 1,
- Two partnered programs and one proprietary program advanced into phase 2.
- Seven partners in total now have HuCAL-based programs in the clinic.

It's clear that there's just too much to talk about in detail here. Therefore, we'll just pick out some of the individual highlights.

In our lead program **MOR103**, as planned, we commenced a Phase 1b/2a study in rheumatoid arthritis patients in four European countries. The trial is ongoing. Based on some very promising pre-clinical data that we generated, we chose multiple sclerosis as the second indication. There

is little doubt that MOR103 has potential in other indications as well. In this regard we achieved an important milestone when a US patent application covering MOR103 was granted in January of this year. This adds to the existing protection we have in the US through our exclusive license to an issued patent covering the general approach of inhibiting GM-CSF in inflammatory conditions.

Moving down the chart, the second is the **undisclosed Novartis program** that has moved extremely quickly, achieving clinical proof of concept last year. The details of this program must remain confidential.

CNT0888, a program developed by Centocor in two main indications, advanced into a second phase 2 trial in cancer. This new trial is evaluating CNT0888 in combination with four standard of care chemotherapy regimens.

Gantenerumab, Roche's Alzheimer's disease drug went into a phase 2 study that will recruit 360 prodromal Alzheimer patients. The design of this trial is based on the recognition that intervening earlier may be important. Clinical studies on mild-to-moderate Alzheimer's patients may have little chance of working because the disease is already too far advanced.

Next is **MOR208**, the antibody that we in-licensed from Xencor last year. This is a great addition to our proprietary portfolio which has closed a gap between MOR103 and MOR202. It's a highly innovative antibody that incorporates a proprietary modification in the Fc region, making it an effective killer of malignant B-cells. The Phase 1 study of this drug in CLL patients started in the US in Q4 of last year.

The last program that we'll mention here is **MOR202**, our proprietary cancer drug candidate. Here, pre-clinical work was completed during 2010 and a clinical trial application for a European study was submitted before year-end. All the pre-clinical data that we have generated encourages us to believe that we will have a truly differentiated multiple myeloma drug. We look forward to commencing the clinical trial this year.

This chart will continue to grow in the months and years ahead. It is perhaps the single most important graph in the Company, as the product candidates it describes represent huge future value.

Slide 9: Technology

We open the technology section with another impressive number. 41 % is the success rate for HuCAL antibodies from commencing a project until the start of clinical development. We've updated this figure – up from 35% - following the recent series of INDs at the end of last year. Not included are those projects which were started in the last three years and which have therefore not yet had time to reach the clinic. A 41 % success rate to the clinic illustrates the power of our technology and the commitment of our partners to moving products forward.

With success rates like this, why do we need new technologies? The answer is quite simply because we believe the potential of antibody-based therapeutics is far from being fully exploited. We are aiming to make new antibody drugs even better. That explains why, during 2010, we continued to invest internally in new technology and why we acquired Sloning BioTechnology.

Slide 10: MorphoSys Transforms Antibody Technologies in Response to Customer Needs

So what technologies do we have and how do they fit together?

First comes HuCAL - HuCAL is an established, high-quality, industry-proven source of antibodies for therapeutic applications. Increasingly, it's being used to make diagnostic antibodies, too, as we'll illustrate shortly in this presentation.

The second component of the platform is *arYla*. *arYla* employs the Slonomics technology for antibody optimization. This newest technology is being applied to the optimization of HuCAL antibodies, and will gradually replace the modular optimization that is an intrinsic part of HuCAL.

Finally, the Slonomics platform itself. Slonomics is the most powerful available technology for making protein libraries, and was the reason for the acquisition of Sloning. There is strong interest in this technology from many biotech and pharmaceutical companies, and we demonstrated this in December when we signed the deal with Pfizer which provided an immediate return-on-investment.

Slide 11: Patent Protection on Platform Expanded Significantly

Another aspect is patent protection. Beyond the individual patents that we and our partners will seek to protect specific therapeutic antibody programs, we're sometimes asked what happens when the core HuCAL patents expire around 2016. Through the acquisition of Sloning we not only modernized our platform, but extended the lifetime of patent coverage for a further seven years. And by combining Slonomics with our antibody platform and expertise we are building IP around our latest platform *arYla*, and additional new technology developments, which expand the platform's lifetime even further.

Overall, 2010 was an excellent year for our technology platform.

Slide 12: AbD Serotec

Now to AbD Serotec. The statistic that we use to open this part is an important one. 12 is the number of diagnostic HuCAL antibodies in development within AbD Serotec. This is the area where we feel this unit has the greatest potential.

Slide 13: Diagnostic HuCAL Antibody Pipeline Gains Visibility

Slide 13 gives you an idea of the diagnostic projects based on HuCAL currently ongoing within AbD Serotec. As you can see, there are many different projects for different applications. The pipeline includes diagnostic antibodies for monitoring the clinical development of other drugs or enhancing the performance of kits. In fact a HuCAL-based antibody already serves as a control in a marketed diagnostic. There is an even bigger commercial opportunity for HuCAL antibodies as the primary detection component of diagnostic tests. We'll talk more about this later.

There is a variety of business opportunities in diagnostics and the time to market is usually shorter than on the therapeutic side. The model is similar to our therapeutics business, namely the use of our proprietary technology to make truly differentiated products, which will be brought

to market by partners. We believe that HuCAL can have as big an impact here as it is having in the therapeutic market.

With that I would like to conclude the operational review of 2010 and will now hand over to Dave for the financial review.

Speaker: Dave Lemus, CFO of MorphoSys AG

Thank you, Simon.

Slide 14: Financial Review 2010

2010 was another very positive year for us, both operationally and financially speaking. Total Group revenues increased to record 87 million €, and despite the significant increase in proprietary R&D investment, we still achieved a solid operating profit of approximately 10 million €.

Let's begin the financial analysis with some highlights of the Group result:

Slide 15: FY2010: Operating Result

Group revenues for 2010 increased by 7 % to 87 million €, and remained slightly under our initial expectations, resulting from new commercial agreements having a lower impact on revenues in 2010 than expected.

Cost of goods sold, which only arises from our AbD Serotec segment, increased by 9 % to 7.3 million € due to an increase in personnel-related costs and material costs as well as foreign exchange effects.

As in previous years, the biggest increase in operating expenses can be observed in R&D expenses, which increased by 20 % to 46.9 million €.

S,G&A expenses on the other hand decreased by 3 % to 23.2 million €.

In sum, total operating expenses increased by 11 % to 77.4 million €, mainly as a result of increased investments in proprietary R&D.

You can see a new line item in the financial statements – “other operating income” – which comprises grant income from governmental agencies. In previous years, funding from grants was included in Group revenues.

Group operating profit was slightly above our original guidance range, coming in at 9.8 million €.

Slide 16: Results by Segment

Let's turn now to our operating segments.

The main financial contributor for the Group is our Partnered Discovery segment business. Revenues in this segment increased by 7 % to 66.3 million €, due to a combination of higher levels of funded research and licensing fees. The segment's operating result amounted to 42.7 million €, with an excellent operating profit margin of 64 %.

In the Proprietary Development segment, revenues increased to 1.8 million €. These revenues stem from funded research of our two pre-development programs with Novartis. You may recall that until these candidates are formally selected for co-development by MorphoSys, Novartis funds all development costs. In line with our communicated strategy to significantly invest in our own product pipeline, the segment's expenses have increased 37 % to 26.5 million € over the prior year. In line with this, the segment's operating result for 2010 showed a deficit of 24.5 million €.

The AbD Serotec segment contributed 23 % of total Group revenues, with revenues coming in at 20.2 million € for the full year. AbD Serotec did not fully meet its growth expectations due to a challenging market environment, especially in Europe, where the economic crisis impacted customer demand. Revenues in this segment increased by 5 % over the prior year and were below our guidance of 21-22 million €. However, operating expenses increased by only 3 %, and the operating profit margin increased to 6 %, within our original guidance estimates.

Slide 17: Expenditure on Proprietary R&D

Let's have a closer look at our proprietary R&D spend, as the largest driver of expense in our Company.

Consistent with our strategy to build value in our proprietary pipeline our investment in proprietary product and technology development increased as planned and communicated by 7.2 million € to 26.5 million €. Two thirds of these expenses were allocated to the development of MOR103, MOR208 and MOR202. This includes the costs for the ongoing p 1b/2a study for MOR103 in RA and the preparation for a phase 1b safety study for MOR103 in MS. Also included are costs for the manufacturing of MOR202 for the planned phase 1 multiple myeloma study. You may recall that the current phase 1 study of MOR208 is sponsored by Xencor. Nevertheless, we started some additional work here on our side to support future studies. The remainder of the budget was invested in research and discovery programs and as well, target validation projects such as our collaboration with Galapagos.

Slide 18: Condensed Balance Sheets

Total assets increased by 6.5 million € to 212.6 million € as of December 31, 2010. Compared to the previous year, cash and equivalents decreased to 108.4 million €. The decrease resulted mainly from the acquisition of Sloning and the in-licensing of MOR208 from Xencor, Inc.

Other current assets increased by 3.6 million €, mainly as a result of an increase in accounts receivable.

Non-current assets increased by 29.5 million €, mainly as a consequence of the acquisition of Sloning and the in-licensing of a compound from Xencor. The increase in patents by 9.5 million € is mainly impacted by assets capitalized in connection with the purchase price allocation for the Sloning acquisition. Additional goodwill in the amount of 7.4 million € also arose from the Sloning acquisition. Unused tax loss carry forward associated with the acquisition also allowed us to capitalize a deferred tax asset of 2.7 million €.

From a cash flow perspective, net cash inflow from operations in 2010 amounted to 2.5 million € compared to cash outflow of 1.0 million € in the previous year.

Slide 19: Shareholder Structure

Before I hand back to Simon for the outlook, I would like to show you the results from our latest shareholder identification. Approx. 50 % of our outstanding shares are held by institutional investors, increasingly by healthcare specialists. For us a clear sign, that the drug development pipeline is gaining importance. We also see an increasing demand from abroad, especially the US.

That concludes my review for the year 2010. I'd like to hand over to Simon who will continue with the outlook for the fiscal year 2011.

Speaker: Dr. Simon Moroney, CEO of MorphoSys AG

Thank you, Dave.

Slide 20: Outlook 2011

Now to the outlook for 2011.

There's a lot to look forward to this year, but on slide 18 we've picked just one item to kick this section off. For the first time in the Company's history, our annual revenue will exceed 100 million €. This is a real highlight, and illustrates the value and our success in commercializing the Company's proprietary technologies. Most importantly, the high level of free cash flow that we generate enables us to maintain a high level of investment in value-creating proprietary research & development.

Slide 21: Number of Proprietary Clinical Programs to Double in 2011

The largest area of investment is the pipeline, so let's start by taking a look at what to expect for our proprietary portfolio. This will be a big year for our lead program MOR103. We expect to complete enrollment into the ongoing European phase 1b/2a trial in rheumatoid arthritis during the year, in time to have the final results in the first half of 2012. Second, we aim to commence a phase 1b safety study of MOR103 in multiple sclerosis, which is the second indication that we have picked for this program. Third, we have been preparing a subcutaneous formulation of MOR103, and will commence a safety study of this material in healthy volunteers this year. As previously communicated we are on track to have final data from the ongoing rheumatoid arthritis study in the first half of next year.

MOR202 – with this program we will commence a phase 1 trial in the first half of the year, based on the Clinical Trial Application that we filed in Europe at the end of last year. It will be a dose-escalation safety study in patients with relapsed or refractory multiple myeloma. It will also evaluate signs of preliminary anti-myeloma activity. The results of this study will be available in 2013. We will also report some of the pre-clinical data we have generated in this program.

Last but not least among the proprietary programs, the US phase 1 study of MOR208 in CLL patients will continue during the year. Data from this trial will be available next year.

In total then, there will be five proprietary clinical studies this year. This is a big step-up from last year when we had one for most of the year and then a second towards the end of the year. Bear this in mind when we come to financial guidance – substantial investment is being made here.

Slide 22: Partnered Programs Set to Generate Clinical Data

Turning to our partners' clinical programs, the pace of news flow will accelerate as more and more compounds move through development. From publicly available information, we expect three trials to be completed. These are three Centocor programs in phase 1 trials in cancer, psoriasis and asthma. We will of course liaise with our partners on how and when they plan to release information from these studies.

Slide 23: Pipeline Continues to Advance & Mature

Our pipeline of therapeutic antibodies in development is expanding and maturing. Expanding: we expect to initiate around 10 new programs with our partners, bringing the total pipeline to over 80 ongoing programs during 2011. Maturing: we expect to see between 3 and 5 programs commencing new clinical trials. This will bring the total number of programs in clinical development to between 20 and 22.

Overall, the pipeline is providing proof of a point that we have made over and over again – that we have a powerful platform for delivering drug-quality antibodies. As we look beyond this year, we can anticipate a wave of proof-of-concept data, multiple programs in Phase 3 trials, and a little further out, drugs on the market.

Slide 24: Technology Development will Lead to New Offering

All of this wonderful progress in the pipeline is based of course on our unique technology platform. All the experience we've gained in this field convinces us that it's possible to make even better antibody drugs. That's why we acquired Sloning, and that's why we continue to invest in new technology. Look out for new announcements also this year. Without giving too much away at this stage, we've got new technology in the works that we hope will be another big step forward for antibody drug development for us and our partners.

Slide 25: AbD Serotec Poised to Exploit Opportunities in Diagnostics Market

The third area we'll cover in our outlook is AbD Serotec. As we said earlier, the unit is making very good progress in establishing the HuCAL technology in the diagnostics market. This year, a major milestone will be reached when the first kit based on a primary HuCAL antibody comes to market. This important event will validate the use of our technology in this field.

We're convinced that AbD Serotec can grow and flourish, most likely through an increased focus in diagnostics. You've seen the pipeline of diagnostic HuCAL antibodies, which are currently underway. In some ways, the unit is where we were in the therapeutics area a decade or more ago – just starting to establish the technology as an important source of products. The diagnostics industry has been slower to adopt new technology than has the pharmaceutical industry. But with the first diagnostic kit based on a HuCAL antibody now coming to market, we

expect the recognition of our technology to accelerate. Our focus this year is therefore to increase awareness and uptake amongst diagnostics companies. We are aiming to provide clearly differentiated products based on our antibodies, from which we expect a lucrative return through product royalties. Although diagnostics products are of course smaller than therapeutics, time to market is much shorter. We are also looking at how the Slonomics technology could best be exploited within AbD Serotec.

Overall, some investment is required to further strengthen AbD Serotec's capabilities in diagnostics as the strategic focus area which will impact on the unit's operating performance this year. Nonetheless, the unit will be solidly cash-flow positive, and profitable, and we believe the investment is merited as we position AbD Serotec to grow further.

Slide 26: Guidance: +20% Revenue Growth, Continued Investment

That brings us to our financial outlook. We already gave you a sneak preview of our expectations in January of this year. Today we confirm that we expect revenues to be in the range of 105 – 110 million €, representing growth of 20 to 25 % over last year. This range includes the one-off payment from Novartis that we recently announced. This will be booked as a success-based payment in Q1 of 2011. Overall, we expect in 2011 success-based payments of approx. 35 million €. We expect operating profits to increase slightly over last year, to between 10 and 13 million €. To repeat what we've said on many occasions, we believe that long-term value is created by investment in R&D, and the operating profit guidance reflects that. This year, our investment in proprietary R&D will increase significantly, from 26.5 million € in 2010 to somewhere between 40 and 45 million € this year. Here again you see the strength of our business. We're able to increase proprietary R&D investment by around 50% and remain very solidly profitable and cash-flow positive.

We are investing significantly in R&D. We do so because we believe this is the best way to create long-term value for our shareholders. The lion's share of this investment will go into our very promising portfolio of antibody drug candidates, to give them the best possible chance of becoming successful drugs. We are also investing in our earlier stage therapeutic antibody programs and in new technology development.

Our decisions on proprietary R&D investment are linked to the merits of the individual programs. You should not extrapolate from the 2010 or 2011 levels of investment to future years. These costs do not reflect an irreversible build-up of infrastructure and resources in-house. For example, approximately 50 % of the 2010 expenses for our clinical development candidates were external costs, for CROs, CMOs, etc. These are expenses which can be adapted as the Company moves forward. We are committed to maintaining our profitability while investing as much as possible to drive value creation through proprietary R&D in the near-term. This is the best possible way to create the conditions for increasing profits in the future.

For AbD Serotec we expect revenue growth of around 9%. As I just said, operating profit will be down a little compared to last year, at around 4%, but this is solely due to the increased investment that we believe is required to optimally drive the business segment.

Overall, we're looking forward to another very productive year, both operationally and financially.

That concludes the presentation – thank you all for your attention. I hand now over to Claudia for the Q&A session.

Speaker: Dr. Claudia Gutjahr-Löser, Head of Corporate Communications & IR

Thank you very much. I would now like to open the forum up for your questions.

Slide 27: Q&A Session

Cornelia Thomas, West LB: Good afternoon and I would also like to take the opportunity to thank Dave for the fantastic work he's done over the past few years. I think we've all benefitted from that tremendously, so thank you, Dave. Now to my questions: I know some of you already just said that we shouldn't extrapolate costs to the years beyond 2011, but do you have previously sort of given an indication on where EBIT might be going in the years ahead. I was just wondering if you could give an update on that, sort of, where we should be expecting EBIT to go towards beyond 2011. Then the other question is: Just wondering - you used to give guidance for how much you expect in terms of milestones. I haven't been able to see that yet. I might have missed it, but if I haven't, I was wondering if you could give us an indication for that. Thanks.

Mr. Dave Lemus: Hi, Cornelia. Thank you very much for those kind words. To answer your questions, and to give you an idea: I think in terms of proprietary R&D spend, I think we're looking at a band for the next several years going forward, not terribly far from where we currently are. In terms of a target EBIT - we don't have one, per se, but I think we can fairly characterize that the EBIT development shouldn't drastically be different from where it currently is; obviously, the further out that you go out from where we are today, the higher we could imagine it would be, on the basis of increasing numbers of eventually milestones and royalties on many of our products coming to the market. For planning purposes for the next 2 or 3 years, I think you could expect to see both R&D and EBIT in ranges which are not very dissimilar from what you see today. In terms of milestones, we did actually give a number, but I guess it was rather large, and it may have been missed in the print: We actually gave a number of milestones that we target this year of approximately € 35 million, which is substantially higher than our previous years' milestones; but as you could imagine, included in that milestone is the amount from Novartis.

Cornelia Thomas: Okay, thank you very much for that.

Daniel Wendorff, Commerzbank: Yes, good afternoon, ladies and gentlemen, and thanks for taking my questions, and also from my part, thank you very much, Dave, for the great work you've done for the company. Now to my questions, and regarding potential revenue guidance in midterm, I recall that at YE2009, you gave sort of midterm guidance, and at that time, you expected or were aiming for 10 - 20% annual revenue growth, given that 2011 will be more than 20%. Is there something or does that mean for 2012 that we should not expect a 10-20% revenue growth; and then again, on the R&D investments a follow-up question - does that mean your proprietary R&D can also fluctuate a bit, or is it like €40 - €45 million that is sort of a sustainable level over the next few years; and then lastly, on the potential technology deals like the ones we saw on Pfizer, does your guidance for 2011 include one or two similar deals like the ones you signed with Pfizer at the end of 2010. Thank you very much.

Dave Lemus: Thank you very much, Daniel. I'll take the first two questions, and thank you also for those very kind words - it was a pleasure working with you and all of the people in the investment community. In terms of targeting a revenue number, a top line number for the next couple of years, I think generically speaking, we always target a number in excess of 10%, and our range is somewhere between 10 - 20%. I think it's fair to say that those numbers are very dependent on events which are somewhat beyond our control, for example, milestones; but in

general, we target at least 10% growth on the top line. In terms of R&D spend fluctuating, I think that was a fair way to characterize it, that I think it would be incorrect to say that it's going to be in a tight band between €40 - €45 million. I could well imagine opening that band, not only upwards, but also downwards a bit. We said during the conference call, I think Simon alluded to in his conference call, that there is quite a bit of flexibility we have in terms of this spend, given that almost half of our spend is external to the likes of CMOs and CROs. So from that perspective, I would give a somewhat broader band than the one that you gave of €40 - €45 million; also, one that could involve lower amounts of R&D.

Dr. Simon Moroney: Daniel, I'll take the last one about the technology deal. What we can tell you is that on the partnered discovery side of our business, which as you know, contributes the bulk of our revenue, roughly 80% of that revenue is already secured, so that means we have somewhere between 10 - 20% of the assumed budgeted revenue, which comes out of that segment for this year, still at risk, meaning that we need certain events to happen in order to be able to generate that revenue.

Elmar Kraus, DZ Bank: Good afternoon, and thanks for taking my questions. I actually have a number of questions: One is with respect to the overall number of partner projects - if I've seen it correctly, this has stayed constant in 2010, but is supposed to increase by 10 in 2011. I'm somewhat surprised, given the range of the Novartis deal, because I would have expected some more to come in. Can you please comment on this, let's say, hole in that increasing number for 2010. The next one would be on your revenues from your proprietary development - if I understand it correctly, then if Novartis or if these projects are selected for further development, these revenues will disappear, and you will have additional costs in the R&D segment. Is that notion correct, and will that be part of your R&D guidance? The last one would be on the two Phase 1 studies with MOR103 - why is there a need for an additional safety study in MS, and why has it not been possible to combine this additional safety study with the subcutaneous study? These were my questions, and also a big thank you to Dave for cooperation in the last years, and hope to see you in days to come. Thanks.

Dr. Simon Moroney: So, Dave, do you want to start with maybe the proprietary development one.

Dave Lemus: Again, thanks Elmar for the very kind words, thank you Elmar. Maybe just to answer one of the questions: The proprietary development revenues - in 2011, they're not anticipated to go down; however, you are correct that once the program actually goes into a formal co-development, those revenues associated with the particular program will go down. That being said, the expenses will correspondingly go up, albeit they are incorporated into our R&D guidance.

Dr. Simon Moroney: And Elmar, let me take the one about the total number of partnered programs. So the 75 you mentioned is the total number of partnered plus own programs. We're just focusing on the partnered programs just to make things easy. What you're seeing actually is a steady addition of a net 10 per year; so we had 55 at the end of 2009, we had 65 at the end of 2010, and we expect about 75 at the end of 2011. So you are seeing actually a nice and rather steady increase here; and just remember, as a reminder, the way the Novartis deal works - we maintain a steady state number of programs there, so as one program moves on and back to Novartis for further development, it's replaced by another one; and the timing of those events, of

course, varies. So there is a tendency for this to proceed in waves a little bit, depending on how long an individual project takes; but the net effect has been a rather steady addition of about 10 programs a year for the last couple of years.

Elmar Kraus: Sorry to interrupt you, Simon. I was actually citing from page nine of your annual report that says 65 active development programs, partnered programs, unchanged from 65 at the beginning of the year.

Dr. Simon Moroney: Yeah, you're quite right there, and I actually misspoke, you're correct. But again, the point is really that there's a wave effect going on here, depending on how quickly mostly those Novartis programs cycle through. So there may be some variation there, but overall, the trend in the number of programs should be upwards, and as we said, there should be an addition of 10 new programs this year.

Elmar Kraus: Thank you.

Dr. Arndt Schottelius: Thanks for the question about MOR103 and those two safety studies. Just to recall, as we said, we are planning this Phase 1 safety study sub-cu. formulation in healthy volunteers; and then as you correctly said, the Phase 1b safety study in MS. Now this is easily explained why they cannot be combined and need to be run separately. Because recall that MS will be a new patient population, and we need to do the safety part in that new patient population as the first study, because that has not been studied and one needs to do that in going into a new safety population. The other point about the subcutaneous safety study - this will look at the newly produced, generated, subcutaneous formulation that first needs to be tested in healthy volunteers to see how the pharmacokinetic properties will be for MOR103, and looking at bioavailability. So, easily explained that we need both of those studies.

Elmar Kraus: Thanks for the clarification.

Hanns Frohnmeyer, LBBW: Thank you, good afternoon. I have a few questions: The first is on your partnered R&D costs in 2011 - do they also increase, I would expect they would also increase, and could you also give a range for that, because you have increasing number of programs. Then the second, just for clarification for me, the number of partnered programs reaching the clinic in 2011 will be between 3 and 5. These numbers exclude the 3 you might internally move to Phase 1 in this year, right? And then, Dave, forgive me, but I have to ask you for the last time on your conservative financial guidance - the sales in your annual report, you describe that sales in 2011-2012 should grow at least by 10%. Given the 20% growth in 2011 - does this mean that we have a flat 2012 level, or is it just underestimating the value. Then, in correlation to your guidance, what events do you expect might trigger the upper and lower ranges that you describe in the financial guidance. Thank you.

Dave Lemus: Thank you, Hanns. I'll take this final opportunity to say that my guidance is not, in fact, conservative. But I think in response to your question, partnered R&D expense - recall that this is the expense associated with servicing the deals that we have, for example, Novartis and so forth. That is expected to stay more or less constant in 2012, despite the fact that we have new numbers of programs. So expect more or less a constant number there. In terms of 2012, I'm afraid that, as is the case every year, you know that we never give multi-year financial guidance, so I'm going to stick to my usual conservative self, and not give you a number for 2012; but rather say, generically, we try to achieve an increase of in excess of 10% per year,

because I don't want to mislead the market, given that we're really rather far from 2012 at this point to be giving exact guidance on it.

Hanns Frohnmeyer: Okay, fair enough.

Dr. Simon Moroney: And Dave, do you want to do the one about what events could lead to us being rather at the lower end of the profit guidance, or the upper end of the profit guidance?

Dave Lemus: Yeah, sure. I think that's due to a variety in the mixture of our revenues. Clearly, profit guidance is not only influenced by the absolute number of revenues and expenses that we have, but also the mix of revenues that we have; for example, milestones carry higher profit margins than, for example, FTE-related revenues. So one thing that could influence, for example, the profit mix is the mix of type of revenue that we have; but aside from that, I think the main thing that we need to focus in on achieving guidance, is actually hitting the top line, and there the biggest source of risk, I would say, is a mixture of new collaborations that we would hope to sign; but again, on top of that, milestones which we would achieve through the partnered discovery segment, which are again, not within our control, but we somehow have to incorporate in the guidance.

Dr. Simon Moroney: Which leads nicely into your last questions, Hanns, which is the number of programs going into the clinic. Let's be very clear here: What we said in the speech was, the total number of programs which will go into the clinic this year, should be between 3 and 5; but that comprises, we think, between 1 and 3 partner INDs plus 2 own programs going into the clinic - that's where the total of 3 to 5 comes from. Let me just say, it's now middle of February; these things are always a little bit hard to predict. As we saw last year in December, we were kind of pleasantly surprised by the number of INDs that so many happened in this short space of time. Our best estimate at this stage is that the total number will be between 3 and 5.

Hanns Frohnmeyer: Okay, thank you.

Thomas Schiessle, EQUi.TS: This is Thomas Schiessle from Frankfurt speaking. I would like to ask a question on AbD Serotec, and the more pronounced strategy to penetrate the market of diagnostics applications with antibody technologies. The path you emphasized that you would like to increase market share to be more stable in the economic development, and to generate more flexibility to reinvest. Is this still the way you would like to run the business, or are you more on the strategic way to aim at collaborations with diagnostic companies to join forces and to implement antibody technologies within those products? This is one side; and the other side is - what is your feeling on the overall market in the AbD Serotec business, is it still lagging momentum, or are you feeling that there might be a rebound in demand coming from the U.S. or elsewhere. This is the one complex that other complex of questions concerning the amalgamation of your technologies you mentioned in your speech - could you shed a little bit more light on what we shall think about this combination of technologies - is it more efficiency, is it even more timely in production of new antibodies, or what is the overall aim of the game. Thank you so far.

Dr. Simon Moroney: Thanks, Thomas. Let me start with the AbD aspects of that, and then Marlies will speak to the technology question. Regarding the strategy within AbD, as you know, we have a diagnostics focus, and we have a reagent business there. If we look at the reagent market, and you just have to look at the annual reports, the recent results announcements of some of the bigger players - Sigma, Life Technologies, and the other players in this field - that

growth rates have been in the low single digit percentage range; and we've experienced ourselves that, especially in Europe, the market has been difficult. This is a market that's heavily dependent on grant income from governments which, of course, has been hit by cuts across Europe and also in other parts of the world. What we're seeing right now is: actually the U.S. is doing pretty well there, so we're encouraged by what we're seeing in the U.S.; but overall, we don't expect that reagent market to grow particularly quickly. And against that backdrop, our projection of a 9% growth rate for the segment this year we think is actually quite good, in top line. From the point of view of the diagnostic strategy, the thing I said during the speech is the best way to look at this, which is: in many ways, this business segment is where we were with therapeutics 10 years ago, in that this technology is just now gaining really a foothold in the diagnostic industry; and we're really excited about the fact that the first kit based on a primary detecting HuCAL antibody is going to come to the market this year. That, we think, will help increasing the visibility for this technology as a way of making good diagnostic products. So indeed, it is a decision that we're taking to invest a bit more in the segment; we'll continue to remain profitable, and solidly cash-flow positive, so it's not consuming resources, consuming cash at all; but we think by investing a bit, we can improve its chances to make a real impact in this diagnostic space. So I hope that answers your questions about AbD, and I would hand over to Marlies for the technology bit.

Dr. Marlies Sproll: Yes, so your question was, what about the combination, why to combine what we announced already earlier: *arYla*, Slonomics and our HuCAL technology. So the rationale behind that, of course, is to allow us more flexibility, really to improve the competence of our drug candidates, more flexibility in engineering, which should definitely lead to an increased speed and a higher probability of success when those drug candidates are selected and then enter the preclinical and clinical development.

Thomas Schiessle: And the focus is indeed on flexibility or on speed?

Dr. Marlies Sproll: It's the combination of the three characteristics I mentioned: Flexibility, speed, and finally probability of success - so you really engineer and improve the characteristics of the drug candidates, so make it more developable drugs.

Thomas Schiessle: And that means that you will be more efficient with the same amount of resources you put into the whole development business; that means, in the future, you will be able to even improve the number of programs you're actively pursuing.

Dr. Marlies Sproll: Exactly.

Thomas Schiessle: Okay, thank you.

Gary Waanders, Nomura: Thank you. I have just a couple of questions on MOR103: Firstly, could you give us a bit more color on the nature of the study in MS, how big that might be and ...; and secondly, since you announced MS is the second indication for MOR103, it seems to be taking ... Is there any particular reason for that? It seems a little bit long. And good luck, Dave.

Arndt Schottelius: Gary, thanks for that question - the question was about - you were a little bit hard to hear, the MS safety study in a little bit more detail. Sorry to say that I can't give you much detail, just to the extent that this will be a safety study, so we'll look at safety end points. I'm not in a position to talk about specifically how long this will be, but long enough to look at the safety, and it will look at a rather broad patient population, but not in a position specifically what

this will be - this will be MS patients. I think the second part, Gary, to your question was: We announced it during the R&D day, and yes, when you consider first of all, what it takes to submit the study and to do the package, I would consider that quite normal. I mean, we just did the decision then, and then immediately started working, so I think you've heard the information that we would expect the study then to be initiated towards the end of the year. I hope that answers your question.

Gary Waanders: Yes, thank you very much.

Thomas Schiessle, EQUI.TS: Question on Simon, if I may. What are the main topics the new CFO will have to tackle, from your point of view? Thank you.

Dr. Simon Moroney: Thomas, we don't foresee a change in role or a change in function here. We think Dave has done an excellent job, and we look forward to the new CFO continuing in the same vein. Also, I think, we hope and expect that the new CFO will maintain the financial discipline, which Dave has - I won't say imposed on the company, but helped the company maintain - that's a very important part, I think, a feature of MorphoSys as a company. But overall, I think there won't be a change in focus or a change in function for the incoming person.

Thomas Schiessle: Thank you so far.

Mick Cooper, Edison Investment Research: Good afternoon, just one quick question. I was wondering about the prospect of M&A activity, given your strong cash position.

Dr. Simon Moroney: Yeah, we have a strong cash position. We demonstrated two examples of how to use that last year when we in-licensed the Xencor compound and then when we acquired Sloning. We continue to be interested in M&A; we see the "war chest" we have as being a means of executing deals; we continue to look for opportunities, especially to strengthen either the technology platform and/or the pipeline, but we don't want to give any guidance or suggestions about what we may do, and at what stage we may do it, but we continue to see M&A as being an interesting means of building the company further.

Mick Cooper: Thank you.

Victoria English, Mednous: Yes, Simon, this is actually not a bad follow up to the last question. You mentioned in your opening remarks that new technology was in the works, and I'm wondering whether you see a Sloning-type of acquisition, or whether this is something that you're working on in-house?

Dr. Simon Moroney: Yeah, I mean, as I said, and I'll ask Marlies maybe to add a little bit color to this. We continue to invest internally in technology; the fact that we're interested in potential acquisitions doesn't change the fact that there's organic technology development going on in here as well.

Dr. Marlies Sproll: Maybe just to add to that: We have dedicated a team of scientists working on new tech ideas; and as you can imagine, scientists always have great ideas, so we are looking at what those ideas are, and how they can complement our existing portfolio. Outside, of course, we have certain things on our radar screen, and I think it will be an exciting year for MorphoSys to come, and we will let you know in time what we plan to do.

Speaker: Dr. Simon Moroney, CEO of MorphoSys AG

Slide 28: Take Home Messages

To conclude the call, we'd like to remind you of the key take-home messages.

First, our pipeline is stronger than ever and continues to expand and mature. This pipeline is based on HuCAL, which has gone from being a novel technology to being the basis of a significant portion of the industry's pipeline of therapeutic antibodies.

Second, we're not standing still as regards technology. Last year's announcements about Sloning and *arYla* will be augmented further this year.

Third, AbD Serotec is establishing a presence in the diagnostic market, and the first HuCAL-based diagnostic product will reach the market. During this year we expect the unit's penetration of the diagnostics market to increase as the contribution of our technology in this field becomes apparent.

And finally, the company's strong financial foundation continues to give us the ability to invest for the future, without relying on the capital markets.

Speaker: Dr. Claudia Gutjahr-Löser, Head of Corporate Communications

Should any of you wish to follow up with us directly, we are all in the office for the remainder of the day. Thank you again for joining the call and goodbye.

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