Media Release
Planegg/Munich, Germany, August 3, 2017

MorphoSys Reports Significant Progress in its Therapeutic Programs in Second Quarter of 2017

First proprietary blood cancer program MOR208 enters phase 3 clinical trial; first partnered antibody guselkumab receives market approval

Conference call and webcast (in English) at 2:00pm CEST (1:00pm BST/8:00am EDT)

MorphoSys AG (FSE: MOR; Prime Standard Segment, TecDAX; OTC: MPSYY), a leader in the field of therapeutic antibodies, today reported results for the second quarter of 2017.

"We have seen significant progress, both with our own and our partners' drug candidates in the second quarter of 2017. Our progress was particularly evidenced by the start of a phase 3 trial with our blood cancer compound MOR208. This is the first pivotal study with a compound from our own development portfolio and a major milestone for MorphoSys," said Dr. Simon Moroney, Chief Executive Officer of MorphoSys AG. "More great news for the pipeline came shortly after the quarter ended, when our partner Janssen announced US FDA approval of Tremfya™ (guselkumab) in plaque psoriasis. This is the best possible validation for our antibody technology and a landmark in the history of MorphoSys. We're extremely happy that Tremfya™, the first approved product based on our technology, is now available to patients in the US, living with moderate to severe plaque psoriasis."

Financial Review for the second quarter of 2017 (IFRS; all figures rounded)

MorphoSys continues to focus on the research and development of drug candidates. In the second quarter of 2017, group revenues amounted to EUR 11.7 million, comparable with the revenue level in Q2 2016 (EUR 12.2 million).

In the Proprietary Development segment, MorphoSys focuses its activities on research and clinical development of its own drug candidates in cancer and inflammation. In Q2 2017, this segment recorded revenues of EUR 0.3 million (Q2 2016: EUR 0.2 million).

In the Partnered Discovery segment, MorphoSys applies its proprietary technology to discover new antibodies for pharmaceutical companies, receiving R&D funding and licensing fees from its partners and benefiting from the partners' development progress through success-based milestone payments and royalties. In Q2 2017, revenues in this segment reached EUR 11.5 million (Q2 2016: EUR 12.0 million).

Earnings before interest and taxes (EBIT) in Q2 2017 amounted to EUR -15.4 million (Q2 2016: EUR -9.5 million). As expected, the operational loss reflects increased spending for the clinical development of the Company's proprietary drug candidates. Three phase 2 studies started with the Company's lead program MOR208 in blood cancer indications during 2016, one of which transitioned into a phase 3 clinical trial in Q2 2017.

Concurrently with its expanded activities, the Proprietary Development segment reported a quarterly EBIT of EUR -18.3 million after EUR -13.5 million in Q2 2016. EBIT in the Partnered Discovery segment was EUR 6.8 million (Q2 2016: EUR 7.4 million).

In Q2 2017, the consolidated net result amounted to EUR -16.1 million (Q2 2016: EUR -11.6 million). The diluted net result per share for Q2 2017 was EUR -0.55 (Q2 2016: EUR -0.44).

At the end of Q2 2017, the Company had a cash position of EUR 334.8 million compared to EUR 359.5 million on December 31, 2016. On the balance sheet, this cash position is reported under the following items: cash and cash equivalents; available-for-sale financial assets; bonds, available-for-sale; and current and non-current financial assets classified as loans & receivables.

The number of shares issued totaled 29,326,110 at the end of Q2 2017 (year-end 2016: 29,159,770).

Results for the first six months 2017

During the first six months of 2017, group revenues amounted to EUR 23.6 million, in line with the previous year (Q1-Q2 2016: EUR 24.3 million). As expected, R&D expenses for proprietary drug development and technology development increased considerably to EUR 37.9 million in the first half of 2017 (Q1-Q2 2016: EUR 28.3 million). This increase is due to intensified activities in the clinical development of the Company's proprietary drug candidates which are transitioning into advanced development stages, requiring larger and more elaborate clinical studies. Consequently the EBIT in the first six months of 2017 amounted to EUR -30.3 million, compared to EUR -19.2 million in the first half of 2016.

Financial guidance confirmed

For the financial year 2017, MorphoSys continues to expect Group revenues in the range of EUR 46 to 51 million. R&D expenses for proprietary drug development and technology development are confirmed to be in a corridor of EUR 85 to 95 million. Guidance for earnings before interest and taxes (EBIT) continues to be in the range from EUR -75 to -85 million. This guidance does not include any additional revenue from potential future collaborations and/or licensing partnerships, nor effects from potential in-licensing or co-development deals for new development candidates. This guidance includes a milestone payment for the Tremfya™ approval. Since royalties for Tremfya™ cannot be accurately projected shortly after the approval, the Company will review its guidance as soon as the revenue uptake allows for reliable projections for the financial year 2017.

"Based on our strong cash position, we continue to drive our proprietary portfolio forward. In particular we will focus on the phase 3 development of our blood cancer candidate MOR208. The approval of Tremfya™ marks our transition to a company whose revenues will be increasingly based on recurring income from product sales. This will contribute to the funding of our proprietary development activities," stated Jens Holstein, Chief Financial Officer of MorphoSys AG.

Operational outlook for 2017

In the Proprietary Development segment, MorphoSys expects the following events in 2017:

- MOR208: Presentation of further data from more patients in the ongoing phase 2 trial of MOR208 in combination with lenalidomide in DLBCL (L-MIND study).
- MOR202: Continuation of ongoing phase 1/2a dose-escalation trial in multiple myeloma, including MOR202 in the highest dosing cohorts in combinations with pomalidomide and with lenalidomide.
- MOR209/ES414: Continuation of the current phase 1 trial in prostate cancer (mCRPC) by partner Aptevo based on a dose regimen that was adapted last year. In the second half of the year, MorphoSys expects further clinical data from this study, which will form the basis for evaluating the drug's further development.
- MOR106: Presentation of results from the ongoing phase 1 trial of MOR106, being co-developed with Galapagos in atopic dermatitis.
- MOR103/GSK3196165: MorphoSys expects data from a phase 2b study and from a phase 2a study in rheumatoid arthritis as well as data from a phase 2a study in hand osteoarthritis, all being conducted by GSK. This HuCAL antibody originated in the Company's Proprietary Development segment, and has been fully out-licensed to GSK.

In its Partnered Discovery segment, the following events were reported after the end of the reporting period or are further expected:

- Tremfya™ (guselkumab): the first partner-developed therapeutic antibody based on MorphoSys's HuCAL technology has received FDA approval and is now available to patients in the US, according to MorphoSys's partner Janssen. Moreover, guselkumab is currently in review for market approval also in Europe.
- After the end of reporting period, MorphoSys's partner Bayer reported that anetumab ravtansine, an investigational HuCAL-based antibody drug conjugate being developed by Bayer, did not meet the primary endpoint of progression-free survival in a phase 2 trial in the cancer indication mesothelioma. Bayer announced to present detailed study results at an upcoming conference and to continue development of this compound in other cancer indications.
- Novartis collaboration: As previously communicated and as reflected in the Company's 2017 guidance, the collaboration with Novartis will conclude at the end of November 2017 in accordance with the contract.
- For the remainder of the year, results may be disclosed from up to 25 different clinical studies in various phases conducted by partners with antibodies based on MorphoSys technology.

As always, MorphoSys is in discussions with other companies in the pharmaceutical industry about technology and/or product-based collaborations, with the goal of strengthening its participation in drug programs aimed at unmet medical needs.

MorphoSys Group Key Figures (IFRS, end of reporting period: June 30)

in EUR million	Q2 2017	Q2 2016	Change	Q1-Q2 2017	Q1-Q2 2016	Change
Revenues	11.7	12.2	-4.1%	23.6	24.3	-2.9%
Total operating expenses	27.5	21.7	26.7%	54.3	43.5	24.8%
R&D expenses	23.0	18.0	27.8%	46.3	36.7	26.2%
thereof expenses for proprietary R&D	18.6	13.8	34.8%	37.9	28.3	33.9%
G&A expenses	4.4	3.7	18.9%	8.0	6.9	15.9%
Operational loss (EBIT)	-15.4	-9.5	62.1%	-30.3	-19.2	57.8%
Net loss (Net result)	-16.1	-11.6	38.8%	-31.1	-18.8	65.4%
Net loss per share (diluted, in EUR)	-0.55	-0.44	25.0%	-1.07	-0.72	48.6%
Cash position (end of period)	334.8	279.7	19.7%	334.8	279.7	19.7%
Equity ratio (end of period) (in %)	87.0	90.0	-3PP*	87.0	90.0	-3PP*
No. of R&D programs (end of period)	114	104	9.6%	114	104	9.6%
No. of clinical programs (end of period)	29	27	7.4%	29	27	7.4%
No. of proprietary clinical programs (end of period)	6**	5**	20.0%	6**	5**	20.0%

* Percentage points

** Thereof one proprietary program fully outlicensed to GSK (MOR103/GSK3196165)

MorphoSys will hold its conference call and webcast today to present the second quarter 2017 and first half 2017 financial results and the further outlook for 2017.

Dial-in number for the analyst conference call (in English) at 2:00 pm CEST; 1:00 pm BST; 8:00 am EDT (listen-only):

Germany: +49 (0) 89 2444 32975
For UK residents: +44 (0) 20 3003 2666
For US residents: +1 202 204 1514

Please dial in 10 minutes before the beginning of the conference. A live webcast and slides will be made available at http://www.morphosys.com.

Shortly after the conference call, a slide-synchronized audio replay of the conference and a transcript will be available on http://www.morphosys.com.

The half year report (January – June 2017) (IFRS) is available online:
http://www.morphosys.com/FinancialReports

MorphoSys will hold a Capital Markets Day on September 5 and 6, 2017.

About MorphoSys:

MorphoSys's mission is to make exceptional, innovative biopharmaceuticals to improve the lives of patients suffering from serious diseases. Innovative technologies and smart development strategies are central to our approach. Success is created by our people, who focus on excellence in all they do, collaborate closely across disciplines and are driven by a desire to make the medicines of tomorrow a reality. Success benefits all of our stakeholders.

Based on its proprietary technology platforms, particularly in the field of fully human therapeuc antibodies, MorphoSys, together with its partners, has built a therapeutic pipeline of more than 110 programs in R&D, around a quarter of which is currently in clinical development.

In its proprietary development segment, MorphoSys, alone or with partners, is developing new therapeutic candidates, mainly focusing on cancer and inflammation. In its partnered discovery segment, MorphoSys uses its technologies to discover new drug candidates for pharmaceutical partners and participates from the programs' further development success, through success-based payments and royalties. MorphoSys is listed on the Frankfurt Stock Exchange under the symbol MOR. For regular updates about MorphoSys, visit http://www.morphosys.com.

This communication contains certain forward-looking statements concerning the MorphoSys group of companies. The forward-looking statements contained herein represent the judgment of MorphoSys as of the date of this release and involve risks and uncertainties. Should actual conditions differ from the Company's assumptions, actual results and actions may differ from those anticipated. MorphoSys does not intend to update any of these forward-looking statements as far as the wording of the relevant press release is concerned.

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