



Press Release

Martinsried/Munich, Germany, and Monrovia, CA, USA, June 27, 2010

MorphoSys and Xencor Sign License and Collaboration Agreement for Clinical Antibody Program

MorphoSys Strengthens Clinical Portfolio with Innovative Antibody in Phase 1 Cancer Trial

MorphoSys AG (FSE: MOR; Prime Standard Segment; TecDAX) and US-based biopharmaceutical company Xencor, Inc., announced today the signing of a worldwide exclusive license and collaboration agreement for an antibody in Phase 1 clinical development. The agreement provides MorphoSys with an exclusive worldwide license to XmAb5574, a high potency monoclonal antibody developed by Xencor for the treatment of B-cell malignancies. As part of the agreement, the companies will collaborate on the Phase 1 trial in patients with chronic lymphocytic leukemia (CLL) in the U.S.A., for which Xencor will continue to carry the costs under its development plan. MorphoSys will be solely responsible for further clinical development. Xencor will receive an upfront payment of US\$ 13 million (approx. € 10.5 million), and will be eligible to receive development-, regulatory- and commercialization-related milestone payments and tiered royalties based on product sales. Further financial terms were not disclosed.

XmAb5574, which will be renamed MOR208, is a humanized anti-CD19 monoclonal antibody for the treatment of B-cell malignancies. It has been engineered to possess significantly enhanced antibody-dependent cell-mediated cytotoxicity (ADCC), thus improving a key mechanism for tumor cell killing and offering potential for enhanced efficacy compared to traditional antibodies for the treatment of cancer. In preclinical studies, XmAb5574 was well tolerated at various dose levels, elicited immediate and sustained B-cell depletion, and showed strong anti-tumor potency, anti-proliferative and apoptotic activity. B-cell malignancies, such as non-Hodgkin's lymphoma, chronic lymphocytic leukemia (CLL) and acute lymphoblastic leukemia afflict more than one hundred and fifty thousand patients in the seven major markets each year. The target is expressed more broadly and earlier in B-cell development than CD20, the target of the marketed cancer drug Rituxan[®], therefore potentially allowing for an even broader use of XmAb5574 as compared to Rituxan[®].

"We are delighted to add this clinical program to our growing portfolio of innovative development candidates," commented Dr. Simon Moroney, Chief Executive Officer of MorphoSys AG. "Our first in-licensing deal of a clinical compound is a further step in the execution of our plan to build a strong portfolio of proprietary therapeutic antibodies to complement those being developed by our partners. The strong cash-flow from our partnered discovery business gives us the means of supporting an attractive proprietary development program, to which XmAb5574/MOR208 is an important addition."

“Our interest in XmAb5574 is based on a comprehensive survey of antibodies in late preclinical or early clinical development in the areas of cancer and inflammation,” commented Dr. Arndt Schottelius, Chief Development Officer of MorphoSys AG. “B-cell depletion is a well-validated strategy to treat lymphomas and CLL, exemplified by the success of Rituxan®. We are convinced by the sound scientific data Xencor has built around its anti-CD19 cancer program and we believe it to be a valuable addition to our proprietary pipeline. By further developing the Xencor program, we will broaden our drug portfolio and also realize synergies with our cancer program MOR202, since both drugs target hematological malignancies.”

“As we look ahead to the potential of XmAb5574 to treat B-cell cancers, a development collaboration with a leading global antibody company like MorphoSys is an important step forward for us by allowing us to bring significant additional resources to the program,” said Dr. Bassil Dahiyat, Chief Executive Officer of Xencor. “Progressing the development of XmAb5574 through this collaboration further underscores the success of our XmAb platform technology in creating a pipeline of innovative and potent next-generation antibody product candidates. We are excited by the progress of both our internal and partnered programs.”

With Xencor carrying the cost for the phase 1 trial of XmAb5574/MOR208, MorphoSys continues to anticipate total internal investment in proprietary R&D of € 26 – 29 million, as per the Company’s original guidance in February 2010.

MorphoSys will hold a public conference call tomorrow, **June 28**, at **02:00 p.m. CEST** (08:00 a.m. EDT, 01:00 p.m. BST) to present key information on the agreement with Xencor.

Dial-in number for the Conference Call (listen-only):

Germany:	+49 (0) 89 24443 2975
For U.K. residents:	+44 (0) 20 3003 2666
For U.S. residents:	+1 212 999 6659

Please dial in 10 minutes before the beginning of the conference.

In addition, MorphoSys offers participants the opportunity to follow the presentation through a simultaneous slide presentation online at <http://www.morphosys.com>.

A live webcast, slides, webcast replay and transcript will be made available at <http://www.morphosys.com>.

Approximately two hours after the press conference, a slide-synchronized audio replay of the conference will be available on <http://www.morphosys.com>.

About MorphoSys:

MorphoSys is an independent biotechnology company that develops novel antibodies for therapeutic, diagnostic and research applications. The Company’s HuCAL technology is one of the most powerful methods available for generating fully human antibodies. By successfully applying this and other proprietary technologies, MorphoSys has become a leader in the field of therapeutic antibodies, one of the fastest-growing drug classes in human health-care. Through its alliances with some of the world’s leading pharmaceutical companies, MorphoSys has created a pipeline

of more than 60 drug candidates. The Company is expanding its drug pipeline by adding new partnered programs, and by building a portfolio of fully-owned therapeutic antibodies. For its proprietary portfolio, the Company is focused on the areas of oncology and inflammation. Its most advanced program MOR103, a first-in-class, fully human antibody against GM-CSF, is currently tested in a Phase Ib/IIa trial in rheumatoid arthritis patients. Via its business unit AbD Serotec, MorphoSys is expanding the reach of its technologies in the diagnostics and research markets. MorphoSys is headquartered in Munich, Germany and listed on the Frankfurt Stock Exchange under the symbol "MOR". For further information, visit <http://www.morphosys.com/>

About Xencor:

Xencor, Inc. engineers superior biotherapeutics using its proprietary Protein Design Automation® technology platform, and is a leader in the field of antibody engineering to significantly improve antibody half-life, immune-regulatory function and potency. The company is advancing multiple XmAb® antibody drug candidates into the clinic, including XmAb®5871 targeting CD32b and CD19 for autoimmune diseases, an anti-CD30 candidate XmAb®2513 which recently completed a Phase 1 clinical trial for the treatment of Hodgkin's lymphoma, and a portfolio of biosuperior antibodies that are versions of blockbuster antibody drugs engineered for superior half-life and dosing schedule. Xencor's antibody engineering technology has been licensed through multiple partnerships with industry leaders such as Pfizer, CSL Ltd., Boehringer Ingelheim, MedImmune, Centocor and Human Genome Sciences. In these partnerships Xencor is applying its suite of proprietary antibody Fc domains to improve antibody drug candidates for traits such as sustained half-life and potency. For more information, please visit www.xencor.com.

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XmAb® is a registered trademark of Xencor.

Rituxan® is a registered trademark of Biogen Idec.

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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