2nd Interim Report
January – June 2012

morphosys
Engineering the Medicines of Tomorrow

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2nd Interim Report January – June 2012

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Highlights

Highlights of the Second Quarter of 2012

- MorphoSys reaches major milestone in collaboration with Roche. The clinical trial evaluating gantenerumab in Alzheimer's Disease is expanded to a pivotal phase 2/3 study.
- At the end of the second quarter of 2012, MorphoSys's partnered and proprietary pipeline comprises 73 programs, of which 20 are in clinical development.
- MorphoSys announces election of two new Supervisory Board members after the Annual General Meeting. Karin Eastham and Marc Cluzel join MorphoSys's Supervisory Board.
- MorphoSys announces new management appointments. Charlotte Lohmann joins MorphoSys from Wilex as General Counsel; Martin Clark joins MorphoSys from Sandoz Biopharmaceuticals as Head of Central Purchasing & Logistics.
- AbD Serotec launches panel of HuCAL anti-drug antibodies supporting the development of novel antibody therapeutics. New product category targets CROs and pharmaceutical companies.
- MorphoSys and Xencor complete enrollment in MOR208 phase 1 trial in CLL. Study data expected in Q4 2012.
- MorphoSys presents MOR208 preclinical combination therapy data at ASCO meeting. Synergistic effects seen with four approved treatment options including rituximab and ofatumumab.
- MorphoSys's partner OncoMed presents clinical phase 1-data on the HuCAL antibody program OMP-59R5. OMP-59R5 shows to be safe and generally well tolerated.

MORPHOSYS'S PRODUCT PIPELINE (JUNE 30, 2012)

Program, Partner	Indication	Discovery	Preclinic	Phase 1	Phase 2	Phase 3	Market
MOR103	Rheumatoid Arthritis						
MOR103	Multiple Sclerosis					8 Proprietary Programs	
MOR208	B-cell Malignancies					incl. 2 Pre-development Programs	
MOR202	Multiple Myeloma						
4 Early-stage Programs	Various Indications						
Gantenerumab, Roche	Alzheimer's Disease						
CNTO 888, Janssen/J&J	Idiopathic Pulmonary Fibrosis						
CNTO 1959, Janssen/J&J	Psoriasis						
BHQ880, Novartis	Cancer						
BYM338, Novartis	Musculoskeletal						
Novartis 3	n. d.						
Novartis 4	Ophthalmology						
BAY94-9343, Bayer HealthCare	Cancer						
BI-1, Boehringer Ingelheim	n. d.					65 Partnered Programs	
CNTO 3157, Janssen/J&J	Asthma						
CNTO-5, Janssen/J&J	Inflammation						
Novartis 5	Inflammation						
Novartis 6	Cancer						
OMP-18R5, OncoMed	Cancer						
OMP-59R5, OncoMed	Cancer						
PFE-1, Pfizer	Cancer						
20 Partnered Programs	Various Indications						
29 Partnered Programs	Various Indications						

Interim Group Management Report: January 1 – June 30, 2012*

Business Environment and Activities

ECONOMIC DEVELOPMENT

In the euro-zone, Spain and Cyprus formally requested euro-zone rescue loans. The EU summit in June secured easier access to the permanent euro-zone bailout fund, the European Stability Mechanism (ESM). Euro-zone member states which fulfill the budgetary rules laid down by the European Commission can now receive aid without agreeing to tough additional austerity measures. Strict oversight by the troika of the European Commission, European Central Bank (ECB) and International Monetary Fund (IMF) would no longer apply.

The ESM will also be allowed to provide direct aid to banks in the future, but only after a European banking supervision mechanism under the auspices of the ECB is established.

The United States also showed that they are not immune from the weakness in the rest of the world. With the debt troubles in Europe and an unclear fiscal policy path at home, also the growth momentum in the USA weakens. Compared to a slight growth in the first quarter, the US economy decelerated in the second quarter of 2012 and also the job market is still struggling to gain traction.

MorphoSys revenues are predominantly generated in euros, US dollars and British pounds. During Q2, the US dollar profited from the financial market stress, despite the country's weakened sovereign debt and fiscal profile. The events in Europe (Greek elections, distressed Spanish banking sector and deeper recession) triggered a depreciating tone of the euro (from US$ 1.332 to US$ 1.269 per euro) and also the British pound has been punished. Oil prices declined significantly during the second quarter to US$ 90 per barrel against US$ 123 per barrel in March.

INDUSTRY OVERVIEW

In the second quarter of 2012, several deals around antibody technologies and products were published.

In April, AstraZeneca and Amgen announced a major collaboration to jointly develop and sell five biotech drugs currently in Amgen's developmental pipeline. Under the terms of the deal, AstraZeneca will make an upfront payment of US$ 50 million to Amgen and the companies will share costs and profits on the drugs for a variety of autoimmune, inflammatory and respiratory diseases.

With regards to M&A activities, shortly after the quarter just ended, GlaxoSmithKline announced plans to buy the biopharmaceutical company Human Genome Sciences on friendly terms for about US$ 3 billion, ending a long hostile takeover campaign. HGS' lead product Benlysta is a human monoclonal antibody for the treatment of systemic lupus erythematosus.

In June, Roche's Genentech unit bought the rights to anti-Tau antibodies to treat Alzheimer's disease from Swiss-based AC Immune SA for more than CHF 400 million (US$ 421 million).

*) Information regarding the first quarter of 2012 is available on the company's website

Also in June, the U.S. Food and Drug Administration approved another antibody drug, namely Perjeta (pertuzumab) to treat late-stage breast cancer. The antibody targets HER2-positive cancer cells and complements Roche's approved treatment Herceptin.

In the diagnostic space, the biggest deal was announced in May, when Agilent Technologies Inc., a producer of scientific-testing equipment, agreed to buy Dako, a Danish manufacturer of cancer-diagnostics tools, for US$ 2.2 billion in cash to expand its life-science business.

OPERATIONAL PERFORMANCE

MorphoSys advanced its business as planned in the second quarter of 2012 and recorded considerable pipeline progress, highlighted by Roche's expansion of the gantenerumab trial into a pivotal phase 2/3 study.

Regarding MorphoSys's proprietary development programs, information on MOR208 prevailed during the quarter just ended. In addition to the presentation of promising preclinical combination therapy data, MorphoSys and Xencor successfully completed patient enrollment in its MOR208 phase 1 clinical trial. Data from the trial in CLL (chronic lymphocytic leukemia) will become available in Q4 2012.

At the end of the second quarter of 2012, MorphoSys's product pipeline comprised 73 partnered and proprietary programs, 20 of which were in clinical development.

Overall, MorphoSys is on track to achieving this year's developmental and commercial targets.

Research & Development

PARTNERED DISCOVERY

During the second quarter of 2012, MorphoSys's partnered therapeutic antibody pipeline increased by two programs to 65 active antibody development programs in total (March 31, 2012: 63 partnered programs), of which currently 16 programs are in clinical development, 20 in preclinical development, and 29 in research (not including two co-development candidates with Novartis).

In May, MorphoSys announced that its partner Roche expanded the ongoing clinical trial of gantenerumab for Alzheimer's disease to a potentially pivotal phase 2/3 study.

The ongoing clinical trial is designed to evaluate gantenerumab's effect on cognition and brain functioning as well as its safety and pharmacokinetics in patients with prodromal, or early-stage, Alzheimer's disease. In this phase of the disease, patients have only mild cognitive impairment and have not yet been diagnosed with Alzheimer's disease. According to recent research, however, amyloid plaque may accumulate even at this early stage in the brains of sufferers and may lead to the fully developed disease.

The trial size was increased from 360 to 770 participants, and a favorable outcome to the trial could be used by Roche to support a marketing application for gantenerumab.

The expansion of the study triggered a clinical milestone payment to MorphoSys. The Company also stands to receive further developmental milestones as well as royalties on product sales.

Throughout the second quarter, MorphoSys's partner OncoMed presented data on the two HuCAL-based antibody programs OMP-18R5 and OMP-59R5 at several scientific conferences. Both programs are currently being evaluated in phase 1 clinical trials.

At the Annual Meeting of the American Society for Clinical Oncology (ASCO), OncoMed presented first clinical data of OMP-59R5, a HuCAL monoclonal antibody targeting two different Notch receptors. In a phase 1 clinical trial, OMP-59R5 was generally well tolerated and the maximum tolerated dose for the drug was established.

At the Annual Meeting of the American Association for Cancer Research (AACR), OncoMed also presented further preclinical data demonstrating that OMP-59R5 was active both as a single agent and in combination with gemcitabine in a panel of patient-derived pancreatic xenografts. Treatment with OMP-59R5 delayed tumor recurrence after gemcitabine treatment and reduced cancer stem cell frequency.

Additionally, OncoMed presented data demonstrating that the novel Wnt pathway antagonist antibody OMP-18R5 reduces tumor-initiating cell frequency in breast cancer models. Treatment with OncoMed's anti-FZD7 antibody OMP-18R5 reduced tumor growth and the frequency of tumor-initiating cells in combination with paclitaxel in several breast tumor models and can restore chemosensitivity in drug resistant breast tumors.

Shortly after the second quarter, OncoMed also announced that Proceedings of the National Academy of Sciences of the United States of America (PNAS) has published online data demonstrating the potent anti-cancer activity of OMP-18R5 in multiple preclinical human tumor models. In xenograft studies with minimally passaged human tumors, OMP-18R5 inhibits the growth of a range of tumor types including lung, pancreatic, and breast cancer, and exhibits synergistic activity with standard-of-care chemotherapeutic agents.

PROPRIETARY DEVELOPMENT

In May, MorphoSys and its US-based partner Xencor completed patient enrollment in the phase 1 clinical trial evaluating MOR208. The phase 1 trial was designed to assess the drug's safety, tolerability, pharmacokinetic profile and preliminary anti-tumor activity. MOR208 is a potent anti-CD19 antibody with a proprietary modification to the antibody, which is being developed to treat B-cell malignancies. A total of 30 patients with relapsed or refractory chronic lymphocytic leukemia (CLL/SLL) have been randomized in the open-label, multi-dose, single-arm, dose-escalation study. No dose-limiting toxicity was observed and the trial protocol was amended to include a period of extended dosing for patients responding to treatment. The extended treatment period could provide MorphoSys with additional data on preliminary anti-tumor activity.

In addition to the clinical evaluation, MorphoSys has generated promising preclinical data on MOR208, which was presented at the Annual Meeting of the American Society of Clinical Oncology (ASCO) in June. In the preclinical studies, approved therapeutic agents including the small-molecule drugs bendamustine (Ribomustin®) and fludarabine (Fludara®) as well as the anti-CD20 antibodies rituximab (Rituxan®) and ofatumumab (Arzerra®) were evaluated for their ability to enhance the cytotoxicity of MOR208. The *in vitro* and *in vivo* activities of MOR208 in an aggressive lymphoma model were synergistically enhanced by all applied drugs, independent of their different modes of action.

In total, MorphoSys currently has four proprietary clinical programs ongoing, namely MOR103 in RA and MS, as well as MOR202, a HuCAL antibody targeting CD38 in multiple myeloma and the above mentioned MOR208 program in B-cell malignancies. Data from the phase 1b/2a-trial of MOR103 in RA are expected for Q3 2012, while data from the MOR208 trial in CLL will become available in the last quarter of 2012.

Intellectual Property

In the first six months of 2012, the Company continued to consolidate and extend the patent position on its development programs and its expanding technology portfolio, representing essential value-drivers for MorphoSys.

Currently, the Company is prosecuting more than 40 different proprietary patent families worldwide, in addition to numerous patent families in cooperation with its partners.

Commercial Development

PARTNERED DISCOVERY

In the second quarter 2012, no new drug discovery agreements were signed and none of the existing collaborations was concluded.

PROPRIETARY DEVELOPMENT

During the second quarter, MorphoSys and Xencor completed enrollment in the phase 1 trial evaluating MOR208 in CLL/SLL. Xencor acted as the sponsor of the trial, which was conducted in the USA. Data from the trial will become available in Q4 2012. Following completion of the phase 1 trial, MorphoSys will be responsible for further clinical evaluation. The Company plans to initiate additional clinical trials of MOR208 in non-Hodgkin's lymphoma (NHL) and acute lymphoblastic leukemia (ALL) by the end of 2012.

ABD SEROTEC

AbD Serotec was able to further increase the number of HuCAL-based diagnostic products on the market and launched a panel of HuCAL anti-drug antibodies supporting the development of novel antibody therapeutics. Starting with the recent launch of fully human, recombinant antibodies binding rituximab (Rituxan®) and trastuzumab (Herceptin®), AbD Serotec plans to expand this product category with antibodies against several other antibody drugs in the near future. The new product category targets contract research organizations (CROs) and pharmaceutical companies and strengthens AbD Serotec's position as a leading provider of diagnostic reagents.

ACQUISITION UPDATE

During 2011 and H1 2012, MorphoSys did not acquire any development assets or companies.

Human Resources

On June 30, 2012, the MorphoSys Group employed 419 people (December 31, 2011: 446). On average, the MorphoSys Group employed 424 people in the first six months of 2012 (first six months of 2011: 468).

Of the 419 employees, 278 worked in research and development and 141 in sales, general and administration (December 31, 2011: 301 and 145, respectively).

On June 30, 2012, 138 of MorphoSys's employees had a PhD degree (December 31, 2011: 147).

Of the 419 employees, 184 worked for the Partnered Discovery segment, 55 for the Proprietary Development segment and 135 for the AbD Serotec segment (December 31, 2011: 199 for the Partnered Discovery segment, 67 for the Proprietary Development segment and 140 for the AbD Serotec segment), while 45 employees were not allocated to a specific segment (December 31, 2011: 40).

On June 30, 2012, MorphoSys had eight apprenticeship positions (December 31, 2011: 8).

In May, MorphoSys announced two new management appointments. Charlotte Lohmann joined MorphoSys as General Counsel. She joined the Company from Wilex, where she had most recently been Senior Vice President Legal Affairs & Human Resources. The position as Head of Central Purchasing & Logistics at MorphoSys was filled by Martin Clark who came from Sandoz Biopharmaceuticals.

EMPLOYEE BY SEGMENT* AND FUNCTION

	06/30/2012	12/31/2011
TOTAL EMPLOYEES	**419**	**446**
Proprietary Development segment	55	67
Partnered Discovery segment	184	199
AbD Serotec segment	135	140
Employees in R&D	278	301
Employees in S,G&A	141	145

*Remainder of total headcount is not allocated to a specific segment

Financial Analysis

REVENUES

Compared to the same period of the previous year, Group revenues decreased by 50% to € 33.0 million in H1 of 2012 (H1 2011: € 66.6 million). This decrease mainly resulted from higher levels of success-based fees in the first quarter of 2011, namely a non-recurring technology milestone payment from Novartis in connection with completing the installation of the HuCAL antibody platform at Novartis Institutes for BioMedical Research in Basel, Switzerland. Funded research and licensing fees in the Partnered Discovery segment and revenues in the AbD Serotec segment decreased compared to the same period of the previous year. Revenues arising from the Partnered Discovery and Proprietary Development segments, before elimination of intersegment effects, accounted for 73% or € 24.2 million (H1 2011: € 57.4 million) of total revenues while the AbD Serotec segment generated 27% or € 8.8 million of total revenues (H1 2011: € 9.4 million).

Geographically, 15% or € 5.1 million of MorphoSys's commercial revenues were generated with biotechnology and pharmaceutical companies or non-profit organizations located in North America and

85% or € 27.9 million with companies mainly located in Europe and Asia. This compares to 10% and 90%, respectively, in the same period of the prior year.

PARTNERED DISCOVERY AND PROPRIETARY DEVELOPMENT SEGMENTS

Revenues before elimination of inter-segment effects in the Partnered Discovery segment comprised € 21.5 million in funded research and licensing fees (H1 2011: € 24.9 million) as well as € 1.9 million success-based payments (H1 2011: € 31.2 million). Revenues in the Proprietary Development segment included € 0.8 million in funded research (H1 2011: € 1.2 million). Approximately 98% of Partnered Discovery and Proprietary Development revenues and 72% of total revenues arose from the Company's three largest alliances with Novartis, Roche and Pfizer (H1 2011: Novartis, Daiichi Sankyo and Pfizer, 96% and 83%, respectively).

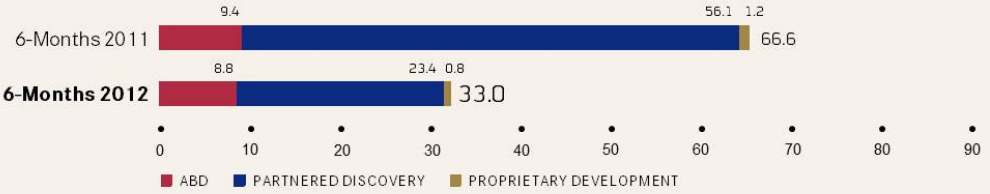
Assuming constant foreign exchange rates at the average rate of H1 2011, segment revenues in the Partnered Discovery and Proprietary Development segments would have remained unchanged at € 24.2 million.

ABD SEROTEC SEGMENT

Compared to the same period of the previous year, AbD Serotec revenues decreased by 6%, or € 0.6 million, to € 8.8 million in H1 2012 (H1 2011: € 9.4 million). Assuming constant foreign exchange rates at the average rate of H1 2011, revenues in the AbD Serotec segment would have amounted to € 8.4 million.

As of June 30, 2012, orders in the amount of € 1.0 million were classified as backorders in the segment (December 31, 2011: € 0.8 million).

REVENUE DEVELOPMENT BY SEGMENT (in € million)*



* Differences due to inter-segment revenues to be eliminated

OPERATING EXPENSES

Total operating expenses decreased by 20% to € 35.0 million in H1 2012 (H1 2011: € 43.5 million). The change in operating expenses mainly resulted from research and development (R&D) expenses decreasing by 25% to € 21.2 million, whereas sales, general and administrative (S, G&A) expenses decreased by 8% to € 10.6 million.

Operating expenses decreased by 10% to € 10.8 million (H1 2011: € 12.0 million) in the Partnered Discovery segment and by 36% to € 10.5 million (H1 2011: € 16.3 million) in the Proprietary Development segment. In the AbD Serotec segment, operating expenses decreased from € 9.3 million to € 9.2 million and would have amounted to € 8.8 million under the assumption of constant foreign exchange rates at the average rate of H1 2011.

Stock-based compensation expenses are embedded in COGS, S, G&A and R&D expenses. Stock-based compensation for the first six months of 2012 amounted to € 0.6 million (H1 2011: € 0.9 million) and is a non-cash charge.

COST OF GOODS SOLD

COGS is composed of the AbD Serotec segment's cost of goods sold in the first six months of 2012 and – compared to the same period of the prior year – decreased by 14% to € 3.2 million. The gross margin for the segment increased to 63%, in comparison to 60% in the first six months of 2011, mainly due to a more favorable product mix with high-margin sales.

RESEARCH AND DEVELOPMENT EXPENSES

In the first six months of 2012, expenses for research and development decreased by € 7.0 million to € 21.2 million (H1 2011: € 28.2 million). This was mainly due to lower costs for external services (H1 2012: € 5.5 million; H1 2011: € 8.9 million), lower personnel costs (H1 2012: € 9.5 million; H1 2011: € 10.7 million) as well as lower material costs (H1 2012: € 0.7 million; H1 2011: € 1.8 million).

In the first six months of 2012, the Company incurred costs for proprietary product development in the amount of € 10.5 million, including segment allocations for technology development in the amount of € 0.0 million (H1 2011: € 16.3 million, including segment allocations for technology development in the amount of € 0.5 million). Total costs for technology development amounted to € 1.8 million (H1 2011: € 1.3 million).

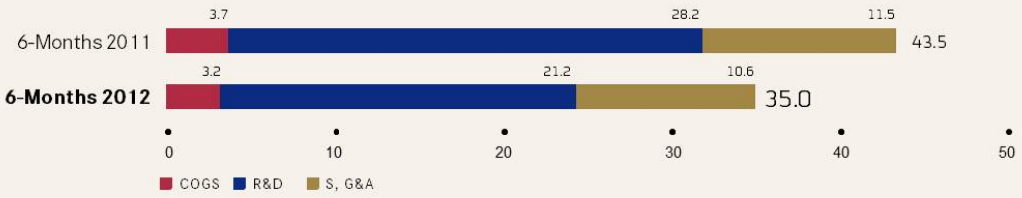
SPLIT OF R&D EXPENSES

In million €	H1 2012	H1 2011
R&D expenses on behalf of partners	8.9	11.1
Proprietary Development expenses	10.5	15.8
Technology Development expenses	1.8	1.3
Total R&D expenses	**21.2**	**28.2**

SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Compared to the same period of the previous year, sales, general and administrative expenses decreased by 8% to € 10.6 million.

DEVELOPMENT OF OPERATING EXPENSES (in € million)*



* Differences due to rounding

OTHER INCOME/EXPENSES

For the first six months of 2012, other income amounted to € 0.2 million (H1 2011: € 0.2 million), which mainly consisted of income from governmental grants and foreign exchange gains, while other expenses amounted to € 0.1 million (H1 2011: € 1.9 million), which predominantly resulted from foreign exchange losses.

EBIT

Earnings before interest and taxes (EBIT) amounted to € (1.9 million), compared to EBIT of € 21.5 million for the first six months of the previous year (€ 22.2 million comprising gains on marketable securities, gains/losses on derivatives and bank fees under the former composition of EBIT as reported for H1 2011). The Partnered Discovery and Proprietary Development segments showed EBIT of € 12.6 million (H1 2011: € 44.2 million) and EBIT of € (9.6 million) (H1 2011: € (14.9 million)), respectively. The AbD Serotec segment recorded EBIT of € (0.5 million) (H1 2011: € 0.1 million). The loss would have remained unchanged at € (0.5 million) under the assumption of constant foreign exchange rates at the average rate of H1 2011.

FINANCE INCOME/EXPENSES

Finance income amounted to € 0.6 million (H1 2011: € 0.9 million) and mainly comprised realized gains on marketable securities sold in the period and interest income. Finance expenses in the amount of € 0.1 million (H1 2011: € 0.1 million) predominantly resulted from bank fees and losses on derivatives.

TAXES

For the first six months of 2012, the Company reported tax income in the amount of € 0.5 million, which mainly consisted of deferred taxes (H1 2011: income tax expenses of € 7.2 million).

NET LOSS/PROFIT

A net loss after taxes of € 1.0 million was achieved in the first six months of 2012, compared to a net profit after taxes of € 15.0 million in the same period of the prior year. The resulting basic net loss per share for the first six months of 2012 amounted to € 0.04 (H1 2011: net profit per share of € 0.66).

CASH FLOWS

Net cash outflow from operations in the first six months of 2012 amounted to € 1.2 million (H1 2011: net cash inflow of € 32.4 million). Investing activities resulted in a net cash outflow of € 10.0 million (H1 2011: net cash outflow of € 17.6 million), whereas financing activities resulted in a net cash inflow of € 0.2 million (H1 2011: net cash inflow of € 0.3 million).

CAPITAL EXPENDITURE

MorphoSys's investment in property, plant and equipment amounted to € 0.6 million for the six-month period ended June 30, 2012, compared to € 1.3 million in the same period of the prior year. Depreciation of property, plant and equipment for the first six months of 2012 accounted for € 1.1 million and remained unchanged compared to the first six months of 2011.

During the first six months of 2012, the Company invested € 0.4 million in intangible assets (H1 2011: € 0.5 million). Amortization of intangibles amounted to € 2.1 million and slightly increased compared to the first six months of 2011 (€ 2.0 million).

LIQUIDITY

As of June 30, 2012, the Company held € 123.5 million in cash, cash equivalents and available-for-sale financial assets, compared to a year-end 2011 balance of € 134.4 million. This decrease in liquidity was mainly impacted by the grant of an interest-bearing assignable loan in the amount of € 10.0 million.

ASSETS

Total assets decreased by € 4.5 million to € 223.9 million as of June 30, 2012, compared to € 228.4 million as of December 31, 2011. Current assets slightly decreased by € 2.5 million to € 152.1 million. The decrease in cash and cash equivalents by € 10.9 million and accounts receivable by € 1.3 million was mainly offset by the grant of an interest-bearing assignable loan in the amount of € 10.0 million which is accounted for in other receivables. In March 2012, MorphoSys accomplished the sale of its property in Poole, UK, for cash in the amount of € 0.8 million.

Compared to December 31, 2011, non-current assets decreased by € 2.0 million, mainly as a consequence of the amortization and of fixed assets.

LIABILITIES

In the first six months of 2012, current liabilities decreased from € 23.8 million as of December 31, 2011, to € 19.4 million as of June 30, 2012, arising mainly from a decrease in accounts payable and accrued expenses of € 3.2 million and tax liabilities of € 1.0 million.

Non-current liabilities decreased by € 0.3 million to € 7.2 million compared to December 31, 2011.

EQUITY

Total stockholders' equity amounted to € 197.2 million as of June 30, 2012, compared to € 197.1 million as of December 31, 2011.

As of June 30, 2012, the total number of shares issued amounted to 23,252,972 of which 22,997,557 were outstanding, compared to 23,112,167 and 22,948,252 as of December 31, 2011, respectively. The increase of shares outstanding by 49,305 arose from the net effect of exercised stock options issued to the Management Board and Senior Management Group (140,805 shares) and a repurchase of the Company's own stock (91,500 shares).

FINANCING

As of June 30, 2012, the equity ratio of the Company amounted to 88%, compared to an equity ratio of 86% as of December 31, 2011. The Company is currently not financed via financial debt.

Risk and Opportunity Report

The risks and opportunities as well as the assessment thereof remained unchanged compared to the situation described on pages 72 to 77 in the Annual Report 2011.

Subsequent Events

There were no events requiring disclosure.

Outlook

EXPECTED DEVELOPMENT IN THE LIFE SCIENCES SECTOR

The pharmaceutical sector continues to face a multitude of challenges. Sales and marketing practices are being reviewed in order to confront emerging generic brands. Outsourcing continues to increase, even within core areas of the business, such as R&D. In-licensing agreements and M&A activities continue to be the means of choice for pharmaceutical companies in order to strengthen their pipelines.

The demand of pharmaceutical companies for novel product candidates and technological innovations continues to provide attractive opportunities for the biotechnology industry. Yet, securing the required financial backing for extensive development activities in turn forms the biggest challenge for the biotechnology industry.

FINANCIAL GUIDANCE

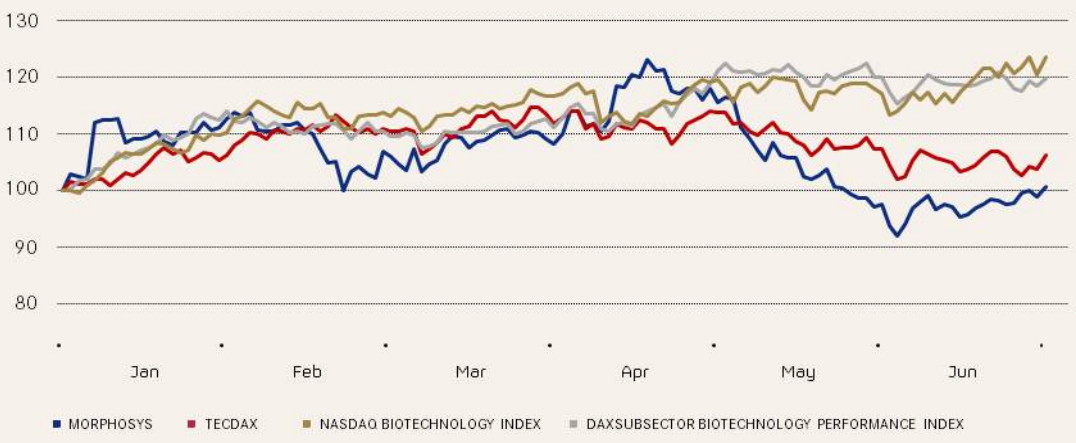
MorphoSys does not give guidance on quarterly numbers but confirms its 2012 annual revenue and profit guidance as given on March 1, 2012. For 2012, MorphoSys anticipates total Group revenues between € 75 million and € 80 million and an EBIT in the range of € 1 million to € 5 million. This guidance does not, at this stage, include a successful out-licensing of any of the Company's proprietary development programs. Investment in proprietary research and development in 2012 will be approximately € 20 million to € 25 million.

The statements on the strategic outlook, expected commercial, personnel and R&D outlook and dividends continue to be valid as published in MorphoSys's Annual Report 2011 on pages 77 to 81.

Share Price Performance

Thanks to a positive development in the first quarter, the German equity markets increased in the first half of 2012. The MorphoSys share gained 0.7% and the TecDAX increased by 6.3%. Despite the generally negative trend on the financial markets in the second quarter of 2012, the DAX subsector Biotechnology Performance Index showed a 19.7% increase in H1 and the NASDAQ Biotechnology Index increased by 23.5%.

THE MORPHOSYS SHARE (January 2, 2012 = 100%)



Consolidated Income Statement (IFRS)

€	Note	Three Months Ended 06/30/2012	Three Months Ended 06/30/2011	Six Months Ended 06/30/2012	Six Months Ended 06/30/2011
Revenues	2	**16,861,495**	**18,027,171**	**32,992,357**	**66,608,644**
Operating Expenses	2				
Cost of Goods Sold		1,538,340	1,897,706	3,231,196	3,736,575
Research and Development		10,771,308	15,544,939	21,154,020	28,248,511
Sales, General and Administrative		5,695,549	6,177,878	10,627,125	11,494,663
Total Operating Expenses		**18,005,197**	**23,620,523**	**35,012,341**	**43,479,749**
Other Income		122,416	62,914	237,040	209,952
Other Expenses		79,359	537,224	121,321	1,873,852
Earnings before Interest and Taxes (EBIT)		**(1,100,645)**	**(6,067,662)**	**(1,904,265)**	**21,464,995**
Finance Income		468,541	509,747	563,883	890,880
Finance Expenses		64,890	78,696	116,756	108,779
Income Tax Income / (Expenses)		248,286	1,817,339	483,033	(7,237,820)
Net (Loss) / Profit		**(448,708)**	**(3,819,272)**	**(974,105)**	**15,009,276**
Basic Net (Loss) / Profit per Share		(0.02)	(0.17)	(0.04)	0.66
Diluted Net (Loss) / Profit per Share		(0.02)	(0.16)	(0.04)	0.65
Shares Used in Computing Basic Net (Loss) / Profit per Share		22,974,446	22,900,654	22,976,791	22,876,302
Shares Used in Computing Diluted Net (Loss) / Profit per Share		23,175,575	23,173,466	23,187,059	23,140,736

See accompanying Notes

Consolidated Statement of Comprehensive Income (IFRS)

€	Three Months Ended 06/30/2012	Three Months Ended 06/30/2011	Six Months Ended 06/30/2012	Six Months Ended 06/30/2011
Net (Loss) / Profit	**(448,708)**	**(3,819,272)**	**(974,105)**	**15,009,276**
Change in Unrealized Gains and Losses on Available-for-sale Financial Assets	(324,560)	(50,332)	(222,558)	(257,016)
(Thereof Reclassifications of Unrealized Gains and Losses to Profit and Loss)	(397,145)	(252,233)	(393,829)	(570,862)
Deferred Taxes	85,457	13,252	58,600	67,672
Change in Unrealized Gains and Losses on Available-for-sale Financial Assets, Net of Deferred Taxes	(239,103)	(37,080)	(163,958)	(189,344)
Effects from Equity-related Recognition of Deferred Taxes	1,850	1,347	1,760	4,333
Foreign Currency Gains and Losses from Consolidation	358,213	(46,165)	367,624	(118,556)
Comprehensive Income	**(327,748)**	**(3,901,170)**	**(768,679)**	**14,705,709**

Consolidated Balance Sheet (IFRS)

€	Note	June 30, 2012	Dec. 31, 2011
ASSETS			
Current Assets			
Cash and Cash Equivalents		43,731,298	54,596,099
Available-for-sale Financial Assets		79,799,567	79,768,563
Accounts Receivable		10,910,744	12,203,237
Income Tax Receivables		1,251,532	215,620
Other Receivables		10,415,651	375,360
Inventories, Net		3,494,492	3,281,240
Prepaid Expenses and Other Current Assets		2,544,181	3,467,402
Assets Classified as Held for Sale		0	785,027
Total Current Assets		**152,147,465**	**154,692,548**
Non-current Assets			
Property, Plant and Equipment, Net		5,627,872	6,106,318
Patents, Net		9,072,722	9,459,580
Licenses, Net		8,547,663	9,551,394
Intangible Assets under Development		10,513,100	10,513,100
Software, Net		955,492	1,055,405
Know-how and Customer Lists, Net		1,193,434	1,341,159
Goodwill		34,129,823	34,107,455
Deferred Tax Asset		154,817	164,949
Prepaid Expenses and Other Assets, Net of Current Portion		1,518,664	1,418,542
Total Non-current Assets		**71,713,587**	**73,717,902**
TOTAL ASSETS		**223,861,052**	**228,410,450**

See accompanying Notes

€	Note	June 30, 2012	Dec. 31, 2011
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable and Accrued Expenses		15,850,495	19,110,798
Tax Liabilities		1,986,823	3,026,597
Provisions		0	275,000
Current Portion of Deferred Revenue		1,605,115	1,338,282
Total Current Liabilities		**19,442,433**	**23,750,677**
Non-current Liabilities			
Provisions, Net of Current Portion		126,110	108,145
Deferred Revenue, Net of Current Portion		6,231,178	6,047,253
Convertible Bonds Due to Related Parties		73,607	73,607
Deferred Tax Liability		797,317	1,295,174
Total Non-current Liabilities		**7,228,212**	**7,524,179**
Stockholders' Equity			
Common Stock	4	23,252,972	23,112,167
Ordinary Shares Authorized (43,142,455 and 43,047,264 for 2012 and 2011, respectively)			
Ordinary Shares Issued (23,252,972 and 23,112,167 for 2012 and 2011, respectively)			
Ordinary Shares Outstanding (22,997,557 and 22,948,252 for 2012 and 2011, respectively)			
Treasury Stock (255,415 and 163,915 shares for 2012 and 2011, respectively), at Cost	4	(3,594,393)	(1,756,841)
Additional Paid-in Capital	4	173,298,713	170,778,474
Reserves		(474,673)	(680,099)
Accumulated Income		4,707,788	5,681,893
Total Stockholders' Equity		**197,190,407**	**197,135,594**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**223,861,052**	**228,410,450**

See accompanying Notes

Consolidated Statement of Changes in Stockholders' Equity (IFRS)

	Common Stock	
	Shares	**€**
Balance as of January 1, 2011	**22,890,252**	**22,890,252**
Compensation Related to the Grant of Stock Options and Convertible Bonds	0	0
Exercise of Options and Convertible Bonds Issued to Related Parties	144,288	144,288
Repurchase of Treasury Stock	0	0
Reserves:		
Change in Unrealized Gain on Available-for-sale Financial Assets, Net of Deferred Taxes	0	0
Effects from Equity-related Recognition of Deferred Taxes	0	0
Foreign Currency Gains and Losses from Consolidation	0	0
Net Profit for the Period	0	0
Comprehensive Income	0	0
Balance as of June 30, 2011	**23,034,540**	**23,034,540**
Balance as of January 1, 2012	**23,112,167**	**23,112,167**
Compensation Related to the Grant of Stock Options and Convertible Bonds	0	0
Exercise of Options and Convertible Bonds Issued to Related Parties	140,805	140,805
Repurchase of Treasury Stock	0	0
Reserves:		
Change in Unrealized Gain on Available-for-sale Financial Assets, Net of Deferred Taxes	0	0
Effects from Equity-related Recognition of Deferred Taxes	0	0
Foreign Currency Gains and Losses from Consolidation	0	0
Net Loss for the Period	0	0
Comprehensive Income	0	0
Balance as of June 30, 2012	**23,252,972**	**23,252,972**

See accompanying Notes

	Treasury Stock		Additional Paid-in Capital	Revaluation Reserve	Translation Reserve	Accumulated Deficit / Income	Total Stockholders' Equity
	Shares	€	€	€	€	€	€
	79,896	**(9,774)**	**166,388,083**	**727,669**	**(1,539,632)**	**(2,534,504)**	**185,922,094**
	0	0	902,901	0	0	0	902,901
	0	0	1,940,570	0	0	0	2,084,858
	84,019	(1,747,067)	0	0	0	0	(1,747,067)
	0	0	0	(189,344)	0	0	(189,344)
	0	0	0	4,333	0	0	4,333
	0	0	0	0	(118,556)	0	(118,556)
	0	0	0	0	0	15,009,276	15,009,276
	0	0	0	(185,011)	(118,556)	15,009,276	14,705,709
	163,915	**(1,756,841)**	**169,231,554**	**542,658**	**(1,658,188)**	**12,474,772**	**201,868,495**
	163,915	**(1,756,841)**	**170,778,474**	**612,226**	**(1,292,325)**	**5,681,893**	**197,135,594**
	0	0	614,945	0	0	0	614,945
	0	0	1,905,294	0	0	0	2,046,099
	91,500	(1,837,552)	0	0	0	0	(1,837,552)
	0	0	0	(163,958)	0	0	(163,958)
	0	0	0	1,760	0	0	1,760
	0	0	0	0	367,624	0	367,624
	0	0	0	0	0	(974,105)	(974,105)
	0	0	0	(162,198)	367,624	(974,105)	(768,679)
	255,415	**(3,594,393)**	**173,298,713**	**450,028**	**(924,701)**	**4,707,788**	**197,190,407**

Consolidated Statement of Cash Flows (IFRS)

For the Period Ended June 30, (in €)	Note	2012	2011
OPERATING ACTIVITIES:			
Net (Loss) / Profit		(974,105)	15,009,276
Adjustments to Reconcile Net (Loss) / Profit to Net Cash Provided by Operating Activities:			
Impairment of Assets		0	193,901
Depreciation and Amortization of Tangible and Intangible Assets		3,200,277	3,059,910
Net Gain on Sales of Financial Assets		(448,789)	(600,717)
Purchases of Derivative Financial Instruments		(40,870)	(220,921)
Proceeds from the Disposal of Derivative Financial Instruments		0	386,208
Unrealized Net Loss / (Gain) on Derivative Financial Instruments		34,836	(154,394)
Loss on Sale of Property, Plant and Equipment		1,024	2,726
Net Gain on Sale of Assets Classified as Available for Sale		(5,468)	0
Recognition of Deferred Revenue		(10,175,521)	(13,440,188)
Stock-based Compensation		632,909	931,574
Income Tax (Income) / Expenses		(481,370)	7,238,321
Changes in Operating Assets and Liabilities:			
Accounts Receivable		1,329,604	2,943,708
Prepaid Expenses, Other Assets and Tax Receivables		(260,213)	(374,625)
Accounts Payable and Accrued Expenses and Provisions		(4,038,555)	(152,929)
Other Liabilities		98,731	579,991
Deferred Revenue		10,626,278	17,907,864
Cash Generated from Operations		**(501,232)**	**33,309,705**
Interest Paid		0	(40,361)
Interest Received		103,597	135,782
Income Taxes Paid		(814,312)	(987,574)
NET CASH (USED IN) / PROVIDED BY OPERATING ACTIVITIES		**(1,211,947)**	**32,417,552**

See accompanying Notes

For the Period Ended June 30, (in €)	Note	2012	2011
INVESTING ACTIVITIES:			
Purchases of Financial Assets		(28,889,655)	(30,004,208)
Proceeds from Sales of Financial Assets		29,021,230	14,178,006
Purchase of Assets Classified as Loans and Receivables		(10,000,000)	0
Purchases of Property, Plant and Equipment		(626,051)	(1,309,288)
Proceeds from Disposals of Property, Plant and Equipment		0	2,087
Proceeds from Disposal of Assets Classified as Available for Sale		804,982	0
Purchase of Intangible Assets		(355,472)	(504,168)
NET CASH USED IN INVESTING ACTIVITIES		**(10,044,966)**	**(17,637,571)**
FINANCING ACTIVITIES:			
Repurchase of Treasury Stock		(1,837,552)	(1,747,066)
Proceeds from the Exercise of Options and Convertible Bonds Granted to Related Parties		2,046,099	2,100,374
Net of Proceeds and Payments from the Issuance of Convertible Bonds Granted to Related Parties		0	(10,725)
Cost of Share Issuance		0	(15,500)
NET CASH PROVIDED BY FINANCING ACTIVITIES		**208,547**	**327,083**
Effect of Exchange Rate Differences on Cash		183,565	(59,624)
(Decrease) / Increase in Cash and Cash Equivalents		(10,864,801)	15,047,440
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**54,596,099**	**44,118,451**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**43,731,298**	**59,165,891**

See accompanying Notes

Notes

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS), in consideration of the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission. These interim consolidated financial statements comply with IAS 34 “Interim Financial Reporting”.

The consolidated financial statements for the period ended June 30, 2012, include MorphoSys AG, MorphoSys IP GmbH, Sloning BioTechnology GmbH, MorphoSys USA, Inc., MorphoSys UK Ltd. (former Serotec Ltd.), MorphoSys US, Inc. (former Serotec, Inc.), MorphoSys AbD GmbH (former Serotec GmbH) and Poole Real Estate Ltd. (former Biogenesis UK Ltd.), together referred to as the “Group”.

1 Accounting Policies

The accounting policies applied for the financial statements as of December 31, 2011, have been used throughout the first six months of 2012 and can be viewed at www.morphosys.com/financialreports. The amendment to IAS 12 “Income Taxes” – deferred tax accounting for investment property at fair value – applies to periods beginning on or after January 1, 2012. No major effects on the interim consolidated financial statements as of June 30, 2012, arose from this amendment.

In 2012, MorphoSys changed the structuring of its income statement, now presenting EBIT rather than operating profit to increase comparability with its peer companies. From Q1 2012 onwards, EBIT does no longer include gains/losses on marketable securities, gains/losses on derivatives and bank fees. These items are now presented together with interest income/expenses in “Finance Income” and “Finance Expenses”, respectively. “Other Income” and “Other Expenses” mainly comprise gains and losses resulting from foreign exchange effects as well as income from governmental grants. To provide comparative information, prior year’s figures have been adjusted accordingly.

2 Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity’s chief operating decision maker and for which discrete financial information is available.

Segment information is presented in respect of the Group’s operating segments. The operating segments are based on the Group’s management and internal reporting structure. Segment results and assets include items directly attributable to a segment and those that can be allocated on a reasonable basis. Intersegment pricing is determined on an arm’s length basis according to the Group transfer pricing policy.

The Group consists of the following three operating segments:

PARTNERED DISCOVERY

MorphoSys possesses one of the leading technologies for the generation of human antibody therapeutics. The Group commercially exploits this technology via partnerships with pharmaceutical and biotechnology companies. All activities related to these collaborations and the major part of technology development are reflected in this segment.

PROPRIETARY DEVELOPMENT

This segment involves all activities relating to proprietary therapeutic antibody development. Presently, this includes the Company's three lead compounds in its proprietary product portfolio, MOR103, MOR202 and MOR208, as well as two programs in the discovery phase and two pre-development programs with Novartis. The Company currently plans to out-license proprietary compounds after clinical proof of concept.

ABD SEROTEC

The AbD Serotec segment leverages MorphoSys's core technological capabilities in the design and manufacture of antibodies for research and diagnostic purposes. It commercializes the HuCAL technology, focusing on the generation of bespoke research antibodies for its customers. The AbD Serotec segment also generates revenues from catalog antibodies and bulk/industrial production of antibodies.

In March 2012, MorphoSys accomplished the sale of its property in Poole, UK, for cash in the amount of € 0.8 million. The property was owned by Poole Real Estate Ltd., Poole, UK, and had been accounted for as "Assets Classified as Held for Sale" in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

ENTITY-WIDE DISCLOSURE

In presenting entity-wide disclosures, segment revenues are based on the geographical location of the customers and segment assets on the geographical location of the assets.

For the Six Months Period Ended June 30,	Partnered Discovery		Proprietary Development	
(in 000's €)	2012	2011	2012	2011
External Revenues	23,419	56,145	823	1,224
Inter-segment Revenues	0	0	0	0
Revenues, total	**23,419**	**56,145**	**823**	**1,224**
Cost of Goods Sold	0	0	0	0
Other Operating Expenses	10,786	11,841	10,480	16,286
Inter-segment Costs	43	128	0	25
Total Operating Expenses	**10,829**	**11,969**	**10,480**	**16,311**
Other Income	34	35	103	143
Other Expenses	0	0	0	0
Segment EBIT	**12,624**	**44,211**	**(9,554)**	**(14,944)**
Finance Income	0	0	0	0
Finance Expenses	0	0	0	0
Income Tax Income / (Expenses)	0	0	0	0
Net (Loss) / Profit	**12,624**	**44,211**	**(9,554)**	**(14,944)**

For the Three Months Period Ended June 30,	Partnered Discovery		Proprietary Development	
(in 000's €)	2012	2011	2012	2011
External Revenues	12,313	12,474	300	630
Inter-segment Revenues	0	0	0	0
Revenues, total	**12,313**	**12,474**	**300**	**630**
Cost of Goods Sold	0	0	0	0
Other Operating Expenses	5,911	5,854	4,854	9,379
Inter-segment Costs	0	64	0	25
Total Operating Expenses	**5,911**	**5,918**	**4,854**	**9,404**
Other Income	16	30	56	27
Other Expenses	0	0	0	0
Segment EBIT	**6,418**	**6,586**	**(4,498)**	**(8,747)**
Finance Income	0	0	0	0
Finance Expenses	0	0	0	0
Income Tax Income / (Expenses)	0	0	0	0
Net (Loss) / Profit	**6,418**	**6,586**	**(4,498)**	**(8,747)**

	AbD Serotec		Unallocated		Elimination		Group	
	2012	2011	2012	2011	2012	2011	2012	2011
	8,750	9,240	0	0	0	0	32,992	66,609
	43	153	0	0	(43)	(153)	0	0
	8,793	**9,393**	**0**	**0**	**(43)**	**(153)**	**32,992**	**66,609**
	3,231	3,737	0	0	0	0	3,231	3,737
	5,946	5,605	4,569	6,010	0	0	31,781	39,742
	0	0	0	0	(43)	(153)	0	0
	9,177	**9,342**	**4,569**	**6,010**	**(43)**	**(153)**	**35,012**	**43,479**
	8	35	92	(3)	0	0	237	210
	93	34	28	1,841	0	0	121	1,875
	(469)	**52**	**(4,505)**	**(7,854)**	**0**	**0**	**(1,904)**	**21,465**
	0	0	564	891	0	0	564	891
	0	0	117	109	0	0	117	109
	0	0	483	(7,238)	0	0	483	(7,238)
	(469)	**52**	**(3,575)**	**(14,310)**	**0**	**0**	**(974)**	**15,009**

	AbD Serotec		Unallocated		Elimination		Group	
	2012	2011	2012	2011	2012	2011	2012	2011
	4,248	4,923	0	0	0	0	16,861	18,027
	0	89	0	0	0	(89)	0	0
	4,248	**5,012**	**0**	**0**	**0**	**(89)**	**16,861**	**18,027**
	1,538	1,898	0	0	0	0	1,538	1,898
	3,096	2,877	2,606	3,613	0	0	16,467	21,723
	0	0	0	0	0	(89)	0	0
	4,634	**4,775**	**2,606**	**3,613**	**0**	**(89)**	**18,005**	**23,621**
	5	19	45	(13)	0	0	122	63
	66	13	13	524	0	0	79	537
	(447)	**243**	**(2,574)**	**(4,150)**	**0**	**0**	**(1,101)**	**(6,068)**
	0	0	469	510	0	0	469	510
	0	0	65	78	0	0	65	78
	0	0	248	1,817	0	0	248	1,817
	(447)	**243**	**(1,922)**	**(1,901)**	**0**	**0**	**(449)**	**(3,819)**

As compensation for Partnered Discovery revenues generated from contracts that had originally been initiated by the AbD Serotec segment, the Partnered Discovery segment granted a compensatory fee of € 0.04 million to the AbD Serotec segment for the first six months of 2012 (H1 2011: € 0.15 million) as a result of the revenue-sharing agreement established between the two segments in 2007.

The following table shows the split of the Company's consolidated revenues by geographical market:

For the Period Ended June 30, (in 000's €)	2012	2011
Germany	1,072	1,302
Other Europe and Asia	26,074	56,959
USA and Canada	5,096	6,597
Other	750	1,751
Total	**32,992**	**66,609**

3 Financial Instruments

In the first quarter of 2012, the Company granted an interest-bearing assignable loan in the amount of € 10.0 million to a third party. In accordance with IAS 39 "Financial Instruments", the investment was assigned to the category "Loans and Receivables" and is accounted for in other receivables.

4 Changes in Stockholders' Equity

COMMON STOCK

On June 30, 2012, the common stock of the Company amounted to € 23,252,972 (December 31, 2011: € 23,112,167). Through the exercise of 140,805 stock options issued to the Management Board and Senior Management Group, common stock increased by € 140,805 in the first six months of 2012. Treasury stock increased to € 3,594,393 as of June 30, 2012, compared to € 1,756,841 as of December 31, 2011, due to the repurchase of 91,500 MorphoSys shares on the stock market for the Company's second long-term incentive plan for management.

ADDITIONAL PAID-IN CAPITAL

On June 30, 2012, additional paid-in capital amounted to € 173,298,713 (December 31, 2011: € 170,778,474). The total increase of € 2,520,239 is partly due to stock-based compensation in the amount of € 614,945; a further € 1,905,294 arose from the exercise of issued stock options.

5 Changes in Stock Options, Convertible Bonds and Performance Shares

In the first six months of 2012, no further stock options or convertible bonds have been granted to the Management Board, Senior Management Group or employees. In April 2012, 91,500 performance shares were granted to the Management Board and the Senior Management Group under the second long-term incentive plan (LTI plan). For further details please see section 6.

6 Long-term Incentive Plan

On April 1, 2012, MorphoSys established the second long-term incentive plan (LTI plan) for the Management Board and Senior Management Group. The plan qualifies as an equity-settled share-based payment transaction under IFRS 2 and is accounted for accordingly. The LTI plan is a performance share plan and will be paid out in common shares of MorphoSys AG, provided that defined key performance indicators as annually approved by the Supervisory Board are achieved. The grant date is April 1, 2012, and the vesting period comprises four years. 25% of the granted performance shares are vested in each year of the 4-year vesting period, provided that the key performance indicators of that period are achieved by 100%. The number of vested shares in each single year will be reduced to the extent that the key performance indicators of that period are achieved by 50% to 99% only or increased if the key performance indicators are achieved by more than 100% (200% in a maximum). An achievement of key performance indicators below 50% in any year will lead to a vesting of "0" shares for this year. In any case, the maximum payout at the end of the 4-year period is capped by a company factor which generally amounts to "1". The Supervisory Board may deviate from this company factor from "0" to "2" in justifiable cases, e.g. in the case that the payout level seems inadequate compared to the overall development of the Company. The right to receive a specific share allocation from the LTI plan arises only at the end of the 4-year term.

In the event that the repurchased shares do not suffice to serve the LTI plan, MorphoSys reserves the right to pay out a specific amount of cash from the LTI plan equivalent to the value of the performance shares at the end of the vesting period, provided that such cash amount shall not exceed 200% of the fair market value of the performance shares as at grant date.

If a member of the Management Board ceases to hold an office within the MorphoSys Group by reason of termination, resigning from office, death, injury, disability or retirement (receipt of a normal retirement pension, an early retirement pension as well as a disability pension as long as the requirements for the disability pension entitlement are met) or – subject to the Supervisory Board's discretion – under other circumstances, the member of the Management Board (or his/her inheritor) will be entitled to a pro-rated number of performance shares on a daily basis.

If a member of the Management Board ceases to hold an office within the MorphoSys Group for good reason in the meaning of § 626 para. 2 German Civil Code and/or within the meaning of § 84 para. 3 German Stock Corporation Act or if notice to cease to hold office is given by the member of the Management Board, the beneficiary shall not be entitled to any performance share allocation.

In the event of a change in control during the 4-year period, all performance shares shall become fully vested. However, also in this event, the right to receive a specific share allocation from the LTI plan arises only at the end of the 4-year term.

In April 2012, the Company repurchased 91,500 MorphoSys shares for the LTI plan on the stock market with an average share price of € 20.08 per share. As of April 1, 2012, 91,500 shares were granted to the beneficiaries, 57,967 shares thereof to the Management Board (for details, please see table "Performance Shares" in section 8 "Directors' Dealings") and 33,533 shares to the Senior Management Group. The fair value of the performance shares as of the grant date (April 1, 2012) amounted to € 19.24 per share. No dividends were incorporated in the measurement of the fair value of the repurchased shares, because the Company does not anticipate paying a dividend in the foreseeable future. No beneficiaries of the LTI plan left MorphoSys and no performance shares forfeited from the grant date until June 30, 2012.

7 Stock-based Compensation

As of June 30, 2012, stock-based compensation in the total amount of € 0.6 million was recorded as personnel expenses in the income statement. This amount comprised € 0.6 million from equity-settled share-based payment transactions, including stock-based compensation from the LTI plan in the amount of € 0.3 million. Further personnel expenses of € 0.02 million resulted from cash-settled share-based payment transactions, namely from stock appreciation rights (SARs).

8 Directors' Dealings

The Group has related party transactions with the Management Board and with members of the Supervisory Board. In addition to cash remuneration, the Company has issued stock options, convertible bonds and performance shares to the Management Board.

The table below shows the shares, stock options, convertible bonds and performance shares as well as the changes of ownership of the same which were held by members of the Management Board and the Supervisory Board during the first six months of 2012:

SHARES

	01/01/12	Additions	Forfeitures	Sales	06/30/12
Management Board					
Dr. Simon E. Moroney	419,885	0	0	0	419,885
Jens Holstein	5,000	1,500	0	0	6,500
Dr. Arndt Schottelius	2,000	0	0	0	2,000
Dr. Marlies Sproll	7,105	0	0	0	7,105
Total	**433,990**	**1,500**	**0**	**0**	**435,490**
Supervisory Board					
Dr. Gerald Möller	7,500	0	0	0	7,500
Prof. Dr. Jürgen Drews*	7,290	0	0	0	-
Dr. Walter Blättler	2,019	0	0	0	2,019
Dr. Daniel Camus	0	0	0	0	0
Dr. Marc Cluzel**	-	0	0	0	0
Dr. Metin Colpan*	0	0	0	0	-
Karin Eastham**	-	0	0	0	0
Dr. Geoffrey N. Vernon	0	0	0	0	0
Total	**16,809**	**0**	**0**	**0**	**9,519**

*) Left the Supervisory Board of MorphoSys AG on May 31, 2012

**) Joined the Supervisory Board of MorphoSys AG on May 31, 2012

STOCK OPTIONS

	01/01/12	Additions	Forfeitures	Exercises	06/30/12
Management Board					
Dr. Simon E. Moroney	191,445	0	0	0	191,445
Jens Holstein	0	0	0	0	0
Dr. Arndt Schottelius	90,000	0	0	0	90,000
Dr. Marlies Sproll	102,867	0	0	0	102,867
Total	**384,312**	**0**	**0**	**0**	**384,312**
Supervisory Board					
Dr. Gerald Möller	0	0	0	0	0
Prof. Dr. Jürgen Drews*	0	0	0	0	-
Dr. Walter Blättler	0	0	0	0	0
Dr. Daniel Camus	0	0	0	0	0
Dr. Marc Cluzel**	-	0	0	0	0
Dr. Metin Colpan*	0	0	0	0	-
Karin Eastham**	-	0	0	0	0
Dr. Geoffrey N. Vernon	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**

*) Left the Supervisory Board of MorphoSys AG on May 31, 2012

**) Joined the Supervisory Board of MorphoSys AG on May 31, 2012

CONVERTIBLE BONDS

	01/01/12	Additions	Forfeitures	Exercises	06/30/12
Management Board					
Dr. Simon E. Moroney	58,800	0	0	0	58,800
Jens Holstein	0	0	0	0	0
Dr. Arndt Schottelius	33,000	0	0	0	33,000
Dr. Marlies Sproll	33,000	0	0	0	33,000
Total	**124,800**	**0**	**0**	**0**	**124,800**
Supervisory Board					
Dr. Gerald Möller	0	0	0	0	0
Prof. Dr. Jürgen Drews*	0	0	0	0	-
Dr. Walter Blättler	0	0	0	0	0
Dr. Daniel Camus	0	0	0	0	0
Dr. Marc Cluzel**	-	0	0	0	0
Dr. Metin Colpan*	0	0	0	0	-
Karin Eastham**	-	0	0	0	0
Dr. Geoffrey N. Vernon	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**

*) Left the Supervisory Board of MorphoSys AG on May 31, 2012

**) Joined the Supervisory Board of MorphoSys AG on May 31, 2012

PERFORMANCE SHARES

	01/01/12	Additions	Forfeitures	Exercises	06/30/12
Management Board					
Dr. Simon E. Moroney	17,676	18,976	0	0	36,652
Jens Holstein	12,107	12,997	0	0	25,104
Dr. Arndt Schottelius	12,107	12,997	0	0	25,104
Dr. Marlies Sproll	12,107	12,997	0	0	25,104
Total	**53,997**	**57,967**	**0**	**0**	**111,964**
Supervisory Board					
Dr. Gerald Möller	0	0	0	0	0
Prof. Dr. Jürgen Drews*	0	0	0	0	-
Dr. Walter Blättler	0	0	0	0	0
Dr. Daniel Camus	0	0	0	0	0
Dr. Marc Cluzel**	-	0	0	0	0
Dr. Metin Colpan*	0	0	0	0	-
Karin Eastham**	-	0	0	0	0
Dr. Geoffrey N. Vernon	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**

*) Left the Supervisory Board of MorphoSys AG on May 31, 2012

**) Joined the Supervisory Board of MorphoSys AG on May 31, 2012

9 Transactions with Related Parties

Except for the transactions described in “Directors’ Dealings” and described below, no other transactions with related parties have been entered into in the first six months of 2012.

As of June 30, 2012, members of the Senior Management Group held 222,702 stock options (December 31, 2011: 310,320), 180,000 convertible bonds (December 31, 2011: 180,000), 15,000 stock appreciation rights (SAR’s) (December 31, 2011: 15,000), and 60,892 performance shares (December 31, 2011: 27,359) granted by the Company. In the first six months of 2012, no new stock options, convertible bonds or stock appreciation rights were granted to the Senior Management Group, whereas 33,533 performance shares were granted on April 1, 2012, under the second long-term incentive plan (LTI plan). 87,618 of these stock options were exercised in the first six months of 2012, whereas no convertible bonds or stock appreciations rights were exercised during this period.

10 Subsequent Events

There were no events requiring disclosure.

Responsibility Statement

"To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the Interim Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim Management Report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year."

Martinsried, July 24, 2012

Dr. Simon E. Moroney
Chief Executive Officer

Jens Holstein
Chief Financial Officer

Dr. Arndt Schottelius
Chief Development Officer

Dr. Marlies Sproll
Chief Scientific Officer

Review Report

TO MORPHOSYS AG, MARTINSRIED,

We have reviewed the condensed consolidated interim financial statements - comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of stockholders' equity, consolidated statement of cash flows and notes to the interim consolidated financial statements - and the interim group management report of MorphoSys AG, Martinsried, for the period from January 1 to June 30, 2012 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Munich, July 24, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Stefano Mulas
Wirtschaftsprüfer
(German Public Auditor)

Dietmar Eglauer
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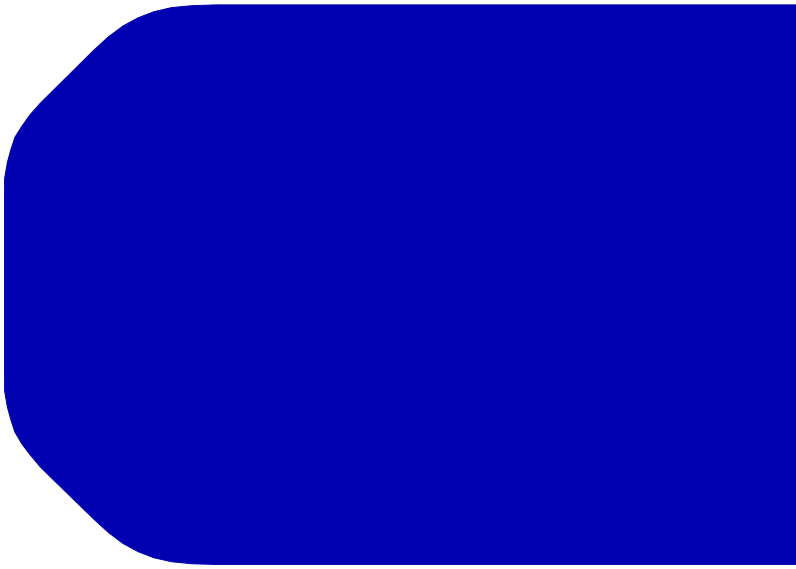
Financial Calendar 2012

MARCH 1, 2012	PUBLICATION OF 2011 YEAR END RESULTS
MAY 4, 2012	PUBLICATION OF THREE MONTHS' REPORT 2012
MAY 31, 2012	ANNUAL SHAREHOLDERS' MEETING 2012 IN MUNICH
AUGUST 2, 2012	PUBLICATION OF SIX MONTHS' REPORT 2012
NOVEMBER 7, 2012	PUBLICATION OF NINE MONTHS' REPORT 2012



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