3rd Interim Report

January – September 2012

morphosys

Engineering the Medicines of Tomorrow

Contents

MorphoSys Group:
3rd Interim Report January – September 2012

Highlights

Highlights of the Third Quarter of 2012

- MorphoSys delivered excellent safety and efficacy results in MOR103 rheumatoid arthritis study.
- MorphoSys and the University of Melbourne published preclinical data on the role of GM-CSF in inflammatory, arthritic and osteoarthritic pain.
- Roche highlighted progress on the HuCAL antibody gantenerumab for the treatment of Alzheimer's disease at the Company's Investor R&D Day.
- MorphoSys's partner OncoMed initiated phase 1b/2 clinical trial with HuCAL antibody OMP-59R5 in pancreatic cancer.
- MorphoSys's partner Bayer HealthCare received Orphan Drug Designation for the HuCAL-based antibody conjugate BAY 94-9343 in the USA for the treatment of mesothelioma.
- The product portfolio at MorphoSys matured further and remains one of the industry's broadest antibody pipelines: At the end of the quarter, MorphoSys's partnered and proprietary pipeline comprised 76 programs, of which 21 are in clinical development.

MORPHOSYS'S PRODUCT PIPELINE (SEPTEMBER 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						
CNTO 1959, Janssen/J&J	Rheumatiod Athritis						
BHQ880, Novartis	Cancer						
BYM338, Novartis	Musculoskeletal						
NOV-3, Novartis	n. d.						
NOV-4, Novartis	Ophthalmology						
OMP-59R5, OncoMed	Cancer					68 Partnered Programs	
BAY94-9343, Bayer HealthCare	Cancer						
BI-1, Boehringer Ingelheim	n. d.						
CNTO 3157, Janssen/J&J	Asthma						
CNTO-5, Janssen/J&J	Inflammation						
NOV-5, Novartis	Inflammation						
NOV-6, Novartis	Cancer						
OMP-18R5, OncoMed	Cancer						
PFE-1, Pfizer	Cancer						
20 Partnered Programs	Various Indications						
31 Partnered Programs	Various Indications						

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

Business Environment and Activities

ECONOMIC DEVELOPMENT

At the end of September, the European Stability Mechanism (ESM), providing financial assistance to members of the Eurozone in financial difficulty, was established and will function as a permanent firewall for the Eurozone with a maximum lending capacity of € 700 billion. Despite a still weak economic outlook and long-term solvency issues of several European countries, actions such as the ESM, a new bond-buying program from the Federal Reserve and additional infrastructure programs in China revived the markets. However, investment decisions throughout the quarter often seemed to be driven more by monetary policy than by individual company fundamentals.

In the USA, the economic climate remained quite positive, with the unemployment rate dropping to 7.8% in September, the lowest level since 2009. Also, consumer spending levels and exports improved throughout the third quarter.

The German Ifo Business Climate Index revealed a rather negative view of the economic situation. In September 2012, the index for industry and trade declined for the fifth month in a row, mainly due to lower indicators in the manufacturing and construction sectors, while the business climate in the trade sector was able to recover.

INDUSTRY OVERVIEW

In the third quarter of 2012, several announcements around antibody technologies and products were made. The trend among pharmaceutical companies towards a leaner internal R&D structure remained unbroken and was underlined by extensive development alliances and long-term outsourcing projects.

In August, Genmab announced a global license and development agreement for daratumumab, a human monoclonal antibody, with Janssen Biotech, Inc., a Johnson & Johnson company. Daratumumab is currently in development for multiple myeloma and may have potential in other cancer indications. The potential deal volume for Genmab amounts to up to US$1 billion in development, regulatory and sales milestones, in addition to tiered double-digit royalties. Like MorphoSys's phase 1/2-program MOR202, daratumumab targets the CD38 molecule found on multiple myeloma cells.

In September, Symphogen announced an exclusive worldwide license agreement with Merck KGaA for Sym004, an investigational antibody combination targeting the epidermal growth factor receptor. Under the agreement, Symphogen received from Merck an upfront payment of € 20 million. Symphogen is also eligible to receive up to € 225 million for clinical development and regulatory milestones, € 250 million in potential sales performance milestones and royalties on net worldwide sales.

Regarding product development news, Celltrion Healthcare Co., Ltd. announced in July that it had received approval for its biosimilar version of Remicade (infliximab) in its domestic market South Korea.

*) Information regarding the first two quarters of 2012 is available on the Company's website

The product, which will be sold under the brand name Remsima, is recognized as the world's first biosimilar version of a monoclonal antibody product.

The industry's need for innovative therapeutics, driven by alliances between large pharmaceutical and development companies, provides a good basis for MorphoSys's business which is based on successful partnerships with pharmaceutical and biotechnology companies and its steadily growing and maturing proprietary product pipeline.

OPERATIONAL PERFORMANCE

MorphoSys advanced its business as planned in the third quarter of 2012 and recorded considerable pipeline progress, highlighted by excellent clinical safety and efficacy data from its lead proprietary compound MOR103.

While the scientific value of these findings is immediately evident, their impact on business results depends largely on a successful out-licensing deal. Although the impressive trial data bode well for the Company's future, they are not yet reflected in this quarter's financial results.

The product portfolio at MorphoSys matured further and remains one of the industry's broadest antibody pipelines. At the end of the third quarter, MorphoSys's product pipeline comprised 76 partnered and proprietary programs, 21 of which were in clinical development.

Research & Development

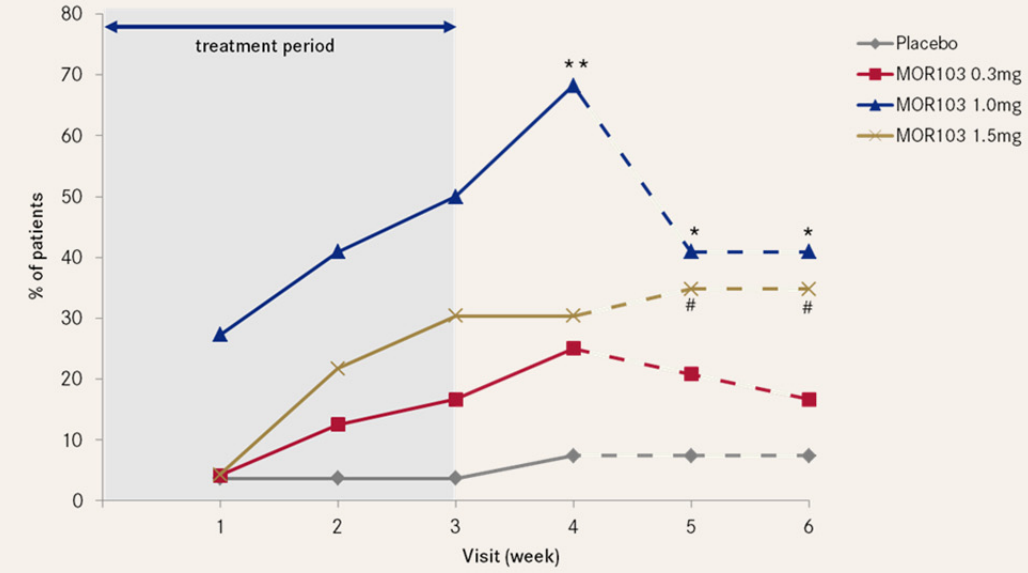
PROPRIETARY DEVELOPMENT

In September, MorphoSys announced results from the phase 1b/2a clinical trial evaluating its proprietary HuCAL antibody MOR103 in rheumatoid arthritis (RA) patients. The results clearly demonstrate the compound's potential to become an important new drug in an area of unmet medical need.

In the randomized, double-blind, placebo-controlled phase 1b/2a trial in 96 mild to moderate RA patients, MOR103 was administered in four weekly doses of 0.3 mg/kg, 1.0 mg/kg or 1.5 mg/kg. The trial, which was designed to look in particular at the onset of the therapeutic effect, was conducted in 26 centers in Germany, the Netherlands, Poland, Bulgaria and the Ukraine. The majority of the trial participants were on a stable regimen of disease modifying anti-rheumatic drugs. The primary endpoint of the trial was to determine the safety and tolerability of multiple doses of MOR103 in patients with active RA. Secondary outcome measures were pharmacokinetics, immunogenicity, and the drug's potential to improve clinical signs and symptoms of RA as measured by DAS28, ACR20/50/70 and EULAR response criteria, MRI imaging for synovitis and bone edema as well as patient reported outcomes.

MOR103 was safe and well-tolerated at all doses administered. There were no drug-related serious adverse events. No obvious differences in the adverse event rate between the MOR103 and placebo groups were observed.

ACR20 RESPONSE AT WEEK 4 (FAS)



FAS: Full Analysis Set, N= 96; **p<0.0001; *p<0.05; #p~0.07

The best response was achieved in the 1.0 mg/kg dose cohort with an ACR20 score of 68% at week 4, which was significantly higher than in the control arm ($p<0.0001$). The ACR20 score ranks amongst the highest seen for a biological compound in RA after four weeks of treatment. Of particular importance was the fast onset of action observed: within two weeks, up to 40% of patients achieved an ACR20 score. Improvement of DAS28 scores was rapid and significant over the treatment period of the study. MRI scans revealed a reduction of synovitis according to the RAMRIS (rheumatoid arthritis MRI scoring) system at week 4.

The clinical data were further supplemented by the publication of two research papers that underline the broad therapeutic potential of antibodies targeting granulocyte-macrophage colony-stimulating factor (GM-CSF), the target molecule of MorphoSys's MOR103 program. The papers, which resulted from a collaboration with a research team at the University of Melbourne, provide evidence that GM-CSF is a key mediator of inflammatory, arthritic and osteoarthritic pain.

Based on these compelling clinical and preclinical data, MorphoSys will now intensify its efforts to conclude a lucrative commercial partnership for further development of the program.

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 MOR208, targeting CD19 for the treatment of various B-cell malignancies. Data from the phase 1b/2a RA-trial of MOR103 were presented as expected in Q3 2012, while data from the phase 1/2a trial of MOR208 in CLL/SLL will become available in the final quarter of 2012.

PARTNERED DISCOVERY

During the third quarter of 2012, MorphoSys's partnered therapeutic antibody pipeline increased by two programs to 68 active antibody development programs in total (June 30, 2012: 66 partnered programs), of which currently 17 programs are in clinical development, 20 in preclinical development, and 31 in research (not including two co-development candidates with Novartis).

MorphoSys's partner Janssen initiated a new phase 2 clinical trial with the HuCAL antibody CNTO1959. The purpose of the new study is to evaluate the safety and efficacy of CNTO 1959 and another antibody, ustekinumab, in reducing the signs and symptoms in patients with active rheumatoid arthritis despite concomitant methotrexate therapy. As a result, CNTO1959 is now being developed in two significantly different indications, namely psoriasis and rheumatoid arthritis, which is reflected accordingly by MorphoSys, counting CNTO1959 as two phase 2 programs.

Shortly after the quarter, MorphoSys's partner OncoMed advanced the HuCAL antibody OMP-59R5 into the next stage of clinical development. OMP-59R5, which is part of OncoMed's Notch pathway collaboration with GlaxoSmithKline, is now being evaluated in a phase 1b/2 trial in the USA in first-line advanced pancreatic cancer patients. OMP-59R5 represents the most advanced HuCAL-based antibody program targeting a validated cancer stem cell pathway. Cancer stem cells potentially offer one of the most attractive targets for attacking a range of tumor types, making this program an exciting addition to the overall pipeline of HuCAL-based drugs.

MorphoSys's partnered programs target major indications with huge market potential. While the development costs of these programs are borne by the respective partner, MorphoSys profits from successful development in the form of milestone payments and potential royalties on product sales. However, as seen in this quarter, a program's progress does not always have an immediate financial impact on the Company. Quarterly results therefore may vary strongly and only reflect a part of MorphoSys's business success.

Intellectual Property

In the first nine 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. There have been no major announcements regarding the Company's intellectual property in the third quarter.

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

Commercial Development

PROPRIETARY DEVELOPMENT

During the third quarter, MorphoSys and Xencor applied to present data from the phase 1/2a trial evaluating MOR208 in CLL/SLL at the annual meeting of the American Society of Hematology (ASH). The abstracts were accepted and accordingly, MorphoSys expects the publication of the final data in December. Following completion of the phase 1/2a trial, MorphoSys will be responsible for further clinical evaluation. The Company plans to initiate additional clinical trials for MOR208 in non-Hodgkin's lymphoma (NHL) and

acute lymphoblastic leukemia (ALL) by the end of 2012. Expenses for the preparation of these trials are already reflected in the 2012 R&D budget.

As mentioned in the previous sections, MorphoSys is now concentrating on seeking a partner for the next development steps of MOR103, based on the very promising results of the clinical RA-trial announced in Q3. While an out-licensing agreement could have a material impact on the Company's financial results, MorphoSys does not reflect a potential partnership deal in this year's guidance, due to the fact that a conclusion before year-end cannot be guaranteed at this point in time.

PARTNERED DISCOVERY

In the third quarter of 2012, no new agreements were signed and none of the existing collaborations were concluded.

In July, Bayer HealthCare received Orphan Drug Designation in the USA for the anti-cancer agent BAY 94-9343 for the treatment of mesothelioma. The HuCAL-based mesothelin-targeting antibody-drug conjugate (ADC) is currently in phase 1 clinical development.

Beta-testing and partnering discussions for the commercial launch of MorphoSys's new antibody platform Ylanthia continued during the third quarter. No new commercial revenues based on this platform were generated during the quarter.

ABD SEROTEC

In the third quarter of 2012, no new agreements were announced.

ACQUISITION UPDATE

During 2011 and the first nine months of 2012, MorphoSys did not acquire any development assets or companies.

Human Resources

On September 30, 2012, the MorphoSys Group employed 420 people (December 31, 2011: 446). On average, the MorphoSys Group employed 422 people in the first nine months of 2012 (first nine months of 2011: 465).

Of the 420 employees, 281 worked in research and development and 139 in sales, general and administration (December 31, 2011: 301 and 145, respectively).

On September 30, 2012, 140 of MorphoSys's employees had a PhD degree (December 31, 2011: 147).

Of the 420 employees, 183 worked for the Partnered Discovery segment, 56 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 46 employees were not allocated to a specific segment (December 31, 2011: 40).

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

EMPLOYEES BY SEGMENT* AND FUNCTION

	09/30/2012	12/31/2011
TOTAL EMPLOYEES	**420**	**446**
Proprietary Development segment	56	67
Partnered Discovery segment	183	199
AbD Serotec segment	135	140
Employees in R&D	281	301
Employees in S,G&A	139	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 42% to € 48.9 million in the first nine months of 2012 (first nine months of 2011: € 83.7 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 72% or € 35.2 million (first nine months of 2011: € 69.8 million) of total revenues while the AbD Serotec segment generated 28% or € 13.7 million of total revenues (first nine months of 2011: € 14.1 million).

Geographically, 16% or € 7.8 million of MorphoSys's commercial revenues were generated with biotechnology and pharmaceutical companies or non-profit organizations located in North America and 84% or € 41.1 million with companies mainly located in Europe and Asia. This compares to 11% and 89%, respectively, in the first nine months of the prior year.

PARTNERED DISCOVERY AND PROPRIETARY DEVELOPMENT SEGMENTS

Revenues before elimination of inter-segment effects in the Partnered Discovery segment comprised € 32.1 million in funded research and licensing fees (first nine months of 2011: € 35.7 million) as well as € 1.9 million success-based payments (first nine months of 2011: € 32.2 million). Revenues in the Proprietary Development segment included € 1.2 million in funded research (first nine months of 2011: € 1.9 million). Approximately 98% of Partnered Discovery and Proprietary Development revenues and 71% of total revenues arose from the Company's three largest alliances with Novartis, Roche and Pfizer (first nine months of 2011: Novartis, Daiichi Sankyo and Pfizer, 95% and 79%, respectively).

In the first nine months of 2012, segment revenues in the Partnered Discovery and Proprietary Development segments amounted to € 35.2 million (€ 35.1 million under the assumption of foreign exchange rates at the average level of the first nine months of 2011).

ABD SEROTEC SEGMENT

Compared to the same period of the previous year, AbD Serotec revenues decreased by 3%, or € 0.4 million, to € 13.7 million in the first nine months of 2012 (first nine months of 2011: € 14.1 million). Assuming foreign exchange rates at the level of the first nine months of 2011, revenues in the AbD Serotec segment would have amounted to € 12.9 million.

As of September 30, 2012, orders in the amount of € 0.8 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 € 51.3 million in the first nine months of 2012 (first nine months of 2011: € 64.1 million). The change in operating expenses mainly resulted from research and development (R&D) expenses decreasing by 28% to € 30.3 million, whereas sales, general and administrative (S, G&A) expenses decreased by 4% to € 16.2 million.

Operating expenses decreased by 6% to € 16.1 million (first nine months of 2011: € 17.1 million) in the Partnered Discovery segment and by 42% to € 14.5 million (first nine months of 2011: € 25.0 million) in the Proprietary Development segment. In the AbD Serotec segment, operating expenses slightly decreased from € 13.8 million to € 13.6 million (€ 12.9 million under the assumption of foreign exchange rates at the average level of the first nine months of 2011).

Stock-based compensation expenses are embedded in COGS, S, G&A and R&D expenses. Stock-based compensation for the first nine months of 2012 amounted to € 1.0 million (first nine months of 2011: € 1.1 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 nine months of 2012, which – compared to the same period of the prior year – decreased by 13% to € 4.8 million (first nine months of 2011: € 5.5 million). The gross margin for the segment increased to 65%, in comparison to 61% in the first nine months of 2011, mainly due to a more favorable product mix with higher-margin sales in 2012.

RESEARCH AND DEVELOPMENT EXPENSES

In the first nine months of 2012, expenses for research and development decreased by € 11.6 million to € 30.3 million (first nine months of 2011: € 41.9 million). This was mainly due to lower costs for

external services (first nine months of 2012: € 7.1 million; first nine months of 2011: € 14.0 million), lower personnel costs (first nine months of 2012: € 13.8 million; first nine months of 2011: € 15.7 million) as well as lower material costs (first nine months of 2012: € 1.2 million; first nine months of 2011: € 2.5 million).

In the first nine months of 2012, the Company incurred costs for proprietary product development in the amount of € 14.5 million, including segment allocations for technology development in the amount of € 0.0 million (first nine months of 2011: € 25.0 million, including segment allocations for technology development in the amount of € 0.8 million). Total costs for technology development amounted to € 2.7 million (first nine months of 2011: € 1.9 million).

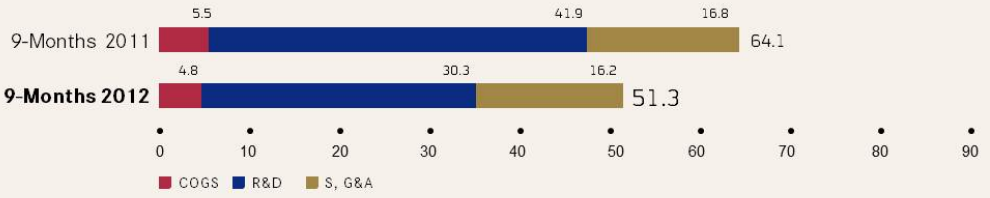
SPLIT OF R&D EXPENSES

In € million	1-9/2012	1-9/2011
R&D expenses on behalf of partners	13.1	15.8
Proprietary Development expenses	14.5	24.2
Technology Development expenses	2.7	1.9
Total R&D expenses	**30.3**	**41.9**

SALES, GENERAL AND ADMINISTRATIVE EXPENSES

Compared to the same period of the previous year, sales, general and administrative expenses decreased by 4% to € 16.2 million (first nine months of 2011: € 16.8 million).

DEVELOPMENT OF OPERATING EXPENSES (in € million)*



* Differences due to rounding

OTHER INCOME/EXPENSES

For the first nine months of 2012, other income amounted to € 0.3 million (first nine months of 2011: € 0.3 million), which mainly consisted of income from governmental grants and foreign exchange gains, while other expenses amounted to € 0.2 million (first nine months of 2011: € 1.9 million), which predominantly resulted from foreign exchange losses.

EBIT

Earnings before interest and taxes (EBIT) amounted to minus € 2.3 million, compared to EBIT of € 18.0 million for the first nine months of the previous year (€ 18.8 million comprising gains on marketable securities, gains/losses on derivatives and bank fees under the former composition of EBIT

as reported for the first nine months of 2011). The Partnered Discovery and Proprietary Development segments showed EBIT of € 17.9 million (first nine months of 2011: € 50.9 million) and EBIT of minus € 13.1 million (first nine months of 2011: minus € 22.9 million), respectively. The AbD Serotec segment recorded EBIT of minus € 0.04 million (first nine months of 2011: € 0.3 million). The loss would have remained almost unchanged at € 0.1 million under the assumption of foreign exchange rates at the average level of the first nine months of 2011.

FINANCE INCOME/EXPENSES

Finance income amounted to € 0.6 million (first nine months of 2011: € 1.1 million) and mainly comprised realized gains on marketable securities sold in the period and interest income. Finance expenses in the amount of € 0.2 million (first nine months of 2011: € 0.1 million) predominantly resulted from bank fees and losses on derivatives.

TAXES

For the first nine months of 2012, the Company reported tax income in the amount of € 0.6 million, which consisted of current and deferred taxes (first nine months of 2011: income tax expenses of € 6.0 million).

NET LOSS/PROFIT

A net loss after taxes of € 1.2 million was achieved in the first nine months of 2012, compared to a net profit after taxes of € 13.0 million in the same period of the prior year. The resulting basic net loss per share for the first nine months of 2012 amounted to € 0.05 (first nine months of 2011: net profit per share of € 0.57).

CASH FLOWS

Net cash inflow from operations in the first nine months of 2012 amounted to € 2.4 million (first nine months of 2011: net cash inflow of € 36.1 million). Investing activities resulted in a net cash outflow of € 9.3 million (first nine months of 2011: net cash outflow of € 16.2 million), whereas financing activities resulted in a net cash inflow of € 0.9 million (first nine months of 2011: net cash inflow of € 0.5 million).

CAPITAL EXPENDITURE

MorphoSys's investment in property, plant and equipment amounted to € 0.8 million for the nine-month period ended September 30, 2012, compared to € 1.9 million in the same period of the prior year. Depreciation of property, plant and equipment for the first nine months of 2012 accounted for € 1.7 million and remained unchanged compared to the first nine months of 2011.

During the first nine months of 2012, the Company invested € 0.7 million in intangible assets (first nine months of 2011: € 0.7 million). Amortization of intangibles amounted to € 3.0 million and remained unchanged compared to the first nine months of 2011.

LIQUIDITY

As of September 30, 2012, the Company held € 127.5 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 € 3.5 million to € 224.9 million as of September 30, 2012, compared to € 228.4 million as of December 31, 2011. Current assets slightly decreased by € 0.6 million to

€ 154.1 million. The decrease in cash, cash equivalents and marketable securities by € 6.9 million and accounts receivable by € 3.2 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 € 2.9 million, mainly as a consequence of the depreciation and amortization of fixed assets.

LIABILITIES

In the first nine months of 2012, current liabilities decreased from € 23.8 million as of December 31, 2011, to € 20.0 million as of September 30, 2012. This change resulted from a decrease in accounts payable and accrued expenses of € 4.9 million and tax liabilities of € 2.1 million, partly offset by an increase in deferred revenues.

Non-current liabilities decreased by € 0.7 million to € 6.8 million compared to December 31, 2011.

EQUITY

Total stockholders' equity amounted to € 198.1 million as of September 30, 2012, compared to € 197.1 million as of December 31, 2011.

As of September 30, 2012, the total number of shares issued amounted to 23,308,622 of which 23,053,207 were outstanding, compared to 23,112,167 and 22,948,252 as of December 31, 2011, respectively. The increase of shares outstanding by 104,955 arose from the net effect of exercised stock options issued to the Management Board and Senior Management Group (196,455 shares) and a repurchase of the Company's own stock (91,500 shares).

FINANCING

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

Transactions with Related Parties

Except for the transactions described on pages 30 ("Director's Dealings") to 32 ("Transactions with Related Parties") of this report, no other material transactions with related parties have been entered into in the first nine months of 2012.

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.

The Management Board considers the risks to be manageable and the survival of the MorphoSys Group not to be endangered at the time of the current report.

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. Securing the required financial backing for extensive development activities in turn forms the biggest challenge for the biotechnology industry.

MorphoSys is well prepared to act in this challenging environment. MorphoSys's established and validated technologies are used to develop a broad and sustainable pipeline of innovative antibody drug candidates, together with partners and for its own account. In the therapeutics area, commercialization of these technologies provides secure cash flows from long-term partnerships with large pharmaceutical companies. Unlike most of the biotechnology companies, the Group has stable cash flows and a strong cash position, enabling it to further strengthen its business through investments in proprietary drug and technology development.

Promising proprietary drug candidates such as MorphoSys's key assets MOR103, MOR202 and MOR208 will be developed internally to clinical proof of concept before seeking a commercial partner. MorphoSys will continue to pursue co-development projects within its alliance with Novartis and potentially with other biotechnology or pharmaceutical companies.

FINANCIAL GUIDANCE

As stated in the past, revenues in 2012 are increasingly dependent on success-based milestones in existing therapeutic antibody programs, new alliances or the expansion of existing alliances involving new technology platforms such as Slonomics and Ylanthia. Negotiations for additional commercial agreements took longer than originally anticipated. In addition, the uncertainties of government fiscal deficits led to a reduction of funding for the research market, leading to lower sales in the AbD Serotec segment.

Therefore, MorphoSys updates its financial guidance for the Group for 2012. The company expects Group revenues to be in the range of EUR 70-75 million, thus being slightly below the original guidance of EUR 75-80 million. In terms of EBIT for the Group, it is expected to be at the lower end of the original guidance of EUR 1-5 million. At the time of the publication of the 9-months 2012 report, certain income-generating events are expected to materialize until the end of the year, the timely conclusion of which is important for reaching the 2012 financial guidance.

Financial guidance does not, at this stage, assume a successful out-licensing of the Company's proprietary development program MOR103.

Investment in proprietary research and development in 2012 will be approximately € 20 million to € 25 million.

The statements on the strategic outlook, the expected commercial, personnel and R&D outcome 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 third quarter, German equity markets showed a positive performance in the first nine months of 2012. In the last quarter, the MorphoSys share gained significantly through the positive outcome of the phase 1b/2a trial for MOR103. At the end of the third quarter, MorphoSys's share price was up 37% compared to January 2012, reaching a new 11-year high, while the TecDAX increased by 16% for the nine months of 2012, despite the continued pressure on the financial markets. The DAX subsector Biotechnology Performance Index even outperformed the TecDAX, showing a 37% increase in the first nine months of 2012, and the NASDAQ Biotechnology Index increased by 36%.

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

Consolidated Income Statement (IFRS)

€	Note	Three Months Ended 09/30/2012	Three Months Ended 09/30/2011	Nine Months Ended 09/30/2012	Nine Months Ended 09/30/2011
Revenues	2	**15,865,499**	**17,102,730**	**48,857,856**	**83,711,374**
Operating Expenses	2				
Cost of Goods Sold		1,565,886	1,714,377	4,797,082	5,450,952
Research and Development		9,191,190	13,624,455	30,345,210	41,872,966
Sales, General and Administrative		5,526,935	5,282,030	16,154,060	16,776,693
Total Operating Expenses		**16,284,011**	**20,620,862**	**51,296,352**	**64,100,611**
Other Income		91,883	120,719	328,923	330,671
Other Expenses		75,433	52,394	196,754	1,926,246
Earnings before Interest and Taxes (EBIT)		**(402,062)**	**(3,449,807)**	**(2,306,327)**	**18,015,188**
Finance Income		73,280	250,295	637,163	1,141,175
Finance Expenses		36,130	2,211	152,886	110,990
Income Tax Income / (Expenses)		116,440	1,205,838	599,473	(6,031,982)
Net (Loss) / Profit		**(248,472)**	**(1,995,885)**	**(1,222,577)**	**13,013,391**
Basic Net (Loss) / Profit per Share		(0.01)	(0.09)	(0.05)	0.57
Diluted Net (Loss) / Profit per Share		(0.01)	(0.09)	(0.05)	0.56
Shares Used in Computing Basic Net (Loss) / Profit per Share		23,007,832	22,881,459	22,981,315	22,878,334
Shares Used in Computing Diluted Net (Loss) / Profit per Share		23,220,562	23,127,975	23,185,409	23,136,081

See accompanying Notes

Consolidated Statement of Comprehensive Income (IFRS)

€	Three Months Ended 09/30/2012	Three Months Ended 09/30/2011	Nine Months Ended 09/30/2012	Nine Months Ended 09/30/2011
Net (Loss) / Profit	**(248,472)**	**(1,995,885)**	**(1,222,577)**	**13,013,391**
Change in Unrealized Gains and Losses on Available-for-sale Financial Assets	17,962	4,331	(204,596)	(252,685)
(Thereof Reclassifications of Unrealized Gains and Losses to Profit and Loss)	(31,833)	(235,975)	(420,546)	(761,574)
Deferred Taxes	(4,729)	(1,140)	53,870	66,532
Change in Unrealized Gains and Losses on Available-for-sale Financial Assets, Net of Deferred Taxes	13,233	3,191	(150,726)	(186,153)
Effects from Equity-related Recognition of Deferred Taxes	(370)	(1,906)	1,390	2,427
Foreign Currency Gains and Losses from Consolidation	83,426	(26,682)	451,050	(145,238)
Comprehensive Income	**(152,183)**	**(2,021,282)**	**(920,863)**	**12,684,427**

Consolidated Balance Sheet (IFRS)

€	Note	Sept. 30, 2012	Dec. 31, 2011
ASSETS			
Current Assets			
Cash and Cash Equivalents		48,888,588	54,596,099
Available-for-sale Financial Assets		78,616,292	79,768,563
Accounts Receivable		9,037,605	12,203,237
Income Tax Receivables		651,338	215,620
Other Receivables		10,285,460	375,360
Inventories, Net		3,693,810	3,281,240
Prepaid Expenses and Other Current Assets		2,955,699	3,467,402
Assets Classified as Held for Sale		0	785,027
Total Current Assets		**154,128,792**	**154,692,548**
Non-current Assets			
Property, Plant and Equipment, Net		5,287,094	6,106,318
Patents, Net		8,845,758	9,459,580
Licenses, Net		8,029,842	9,551,394
Intangible Assets under Development		10,513,100	10,513,100
Software, Net		1,105,762	1,055,405
Know-how and Customer Lists, Net		1,102,112	1,341,159
Goodwill		34,156,365	34,107,455
Deferred Tax Asset		232,412	164,949
Prepaid Expenses and Other Assets, Net of Current Portion		1,509,917	1,418,542
Total Non-current Assets		**70,782,362**	**73,717,902**
TOTAL ASSETS		**224,911,154**	**228,410,450**

See accompanying Notes

€	Note	Sept. 30, 2012	Dec. 31, 2011
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable and Accrued Expenses		14,166,052	19,110,798
Tax Liabilities		914,925	3,026,597
Provisions		0	275,000
Current Portion of Deferred Revenue		4,924,227	1,338,282
Total Current Liabilities		**20,005,204**	**23,750,677**
Non-current Liabilities			
Provisions, Net of Current Portion		156,712	108,145
Deferred Revenue, Net of Current Portion		6,073,140	6,047,253
Convertible Bonds Due to Related Parties		73,607	73,607
Deferred Tax Liability		499,569	1,295,174
Total Non-current Liabilities		**6,803,028**	**7,524,179**
Stockholders' Equity			
Common Stock	4	23,308,622	23,112,167
Ordinary Shares Authorized (43,142,455 and 43,047,264 for 2012 and 2011, respectively)			
Ordinary Shares Issued (23,308,622 and 23,112,167 for 2012 and 2011, respectively)			
Ordinary Shares Outstanding (23,053,207 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	174,307,762	170,778,474
Reserves		(378,385)	(680,099)
Accumulated Income		4,459,316	5,681,893
Total Stockholders' Equity		**198,102,922**	**197,135,594**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**224,911,154**	**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	157,289	157,289
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 SEPTEMBER 30, 2011	**23,047,541**	**23,047,541**
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	196,455	196,455
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 SEPTEMBER 30, 2012	**23,308,622**	**23,308,622**

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	1,009,516	0	0	0	1,009,516
	0	0	2,135,240	0	0	0	2,292,529
	84,019	(1,747,067)	0	0	0	0	(1,747,067)
	0	0	0	(186,153)	0	0	(186,153)
	0	0	0	2,427	0	0	2,427
	0	0	0	0	(145,238)	0	(145,238)
	0	0	0	0	0	13,013,391	13,013,391
	0	0	0	(183,726)	(145,238)	13,013,391	12,684,427
	163,915	**(1,756,841)**	**169,532,839**	**543,943**	**(1,684,870)**	**10,478,887**	**200,161,499**
	163,915	**(1,756,841)**	**170,778,474**	**612,226**	**(1,292,325)**	**5,681,893**	**197,135,594**
	0	0	943,108	0	0	0	943,108
	0	0	2,586,180	0	0	0	2,782,635
	91,500	(1,837,552)	0	0	0	0	(1,837,552)
	0	0	0	(150,726)	0	0	(150,726)
	0	0	0	1,390	0	0	1,390
	0	0	0	0	451,050	0	451,050
	0	0	0	0	0	(1,222,577)	(1,222,577)
	0	0	0	(149,336)	451,050	(1,222,577)	(920,863)
	255,415	**(3,594,393)**	**174,307,762**	**462,890**	**(841,275)**	**4,459,316**	**198,102,922**

Consolidated Statement of Cash Flows (IFRS)

For the Nine Months Period Ended September 30, (in €)	Note	2012	2011
OPERATING ACTIVITIES:			
Net (Loss) / Profit		(1,222,577)	13,013,391
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		4,760,000	4,751,142
Net Gain on Sales of Financial Assets		(480,912)	(846,427)
Purchases of Derivative Financial Instruments		(40,870)	(220,922)
Proceeds from the Disposal of Derivative Financial Instruments		0	386,208
Unrealized Net Loss / (Gain) on Derivative Financial Instruments		37,893	(47,113)
Loss on Sale of Property, Plant and Equipment		1,591	8,364
Net Gain on Sale of Assets Classified as Available for Sale		(5,538)	0
Recognition of Deferred Revenue		(15,991,973)	(15,550,732)
Stock-based Compensation		991,674	1,052,526
Income Tax (Income) / Expenses		(601,203)	6,032,726
Changes in Operating Assets and Liabilities:			
Accounts Receivable		3,195,501	3,418,914
Prepaid Expenses, Other Assets and Tax Receivables		(306,489)	507,677
Accounts Payable and Accrued Expenses and Provisions		(7,098,819)	1,429,750
Other Liabilities		(14,395)	(88,309)
Deferred Revenue		19,603,805	23,154,545
Cash Generated from Operations		**2,827,688**	**37,195,641**
Interest Paid		0	(3,459)
Interest Received		145,363	250,072
Income Taxes Paid		(525,548)	(1,367,645)
NET CASH PROVIDED BY OPERATING ACTIVITIES		**2,447,503**	**36,074,609**

See accompanying Notes

For the Nine Months Period Ended September 30, (in €)	Note	2012	2011
INVESTING ACTIVITIES:			
Purchases of Financial Assets		(29,688,781)	(38,003,770)
Proceeds from Sales of Financial Assets		31,053,715	24,370,439
Purchase of Assets Classified as Loans and Receivables		(10,000,000)	0
Purchases of Property, Plant and Equipment		(842,870)	(1,887,533)
Proceeds from Disposals of Property, Plant and Equipment		0	2,082
Proceeds from Disposal of Assets Classified as Available for Sale		815,284	0
Purchases of Intangible Assets		(651,008)	(706,946)
NET CASH USED IN INVESTING ACTIVITIES		**(9,313,660)**	**(16,225,728)**
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		2,782,635	2,308,045
Net of Proceeds and Payments from the Issuance of Convertible Bonds Granted to Related Parties		0	(10,890)
Cost of Share Issuance		0	(15,500)
NET CASH PROVIDED BY FINANCING ACTIVITIES		**945,083**	**534,589**
Effect of Exchange Rate Differences on Cash		213,563	(9,635)
(Decrease) / Increase in Cash and Cash Equivalents		(5,707,511)	20,373,835
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		**48,888,588**	**64,492,286**

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 September 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 nine 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 September 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 makers 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 four early-stage programs. 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 custom-made 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 Nine Months Period Ended September 30,	Partnered Discovery		Proprietary Development	
(in 000's €)	**2012**	**2011**	**2012**	**2011**
External Revenues	33,973	67,936	1,228	1,869
Inter-segment Revenues	0	0	0	0
Revenues, total	**33,973**	**67,936**	**1,228**	**1,869**
Cost of Goods Sold	0	0	0	0
Other Operating Expenses	16,075	16,907	14,468	25,005
Inter-segment Costs	43	192	0	25
Total Operating Expenses	**16,118**	**17,099**	**14,468**	**25,030**
Other Income	72	52	145	269
Other Expenses	0	0	0	0
Segment EBIT	**17,927**	**50,889**	**(13,095)**	**(22,892)**
Finance Income	0	0	0	0
Finance Expenses	0	0	0	0
Income Tax Income / (Expenses)	0	0	0	0
Net (Loss) / Profit	**17,927**	**50,889**	**(13,095)**	**(22,892)**

For the Three Months Period Ended September 30,	Partnered Discovery		Proprietary Development	
(in 000's €)	**2012**	**2011**	**2012**	**2011**
External Revenues	10,554	11,791	405	645
Inter-segment Revenues	0	0	0	0
Revenues, total	**10,554**	**11,791**	**405**	**645**
Cost of Goods Sold	0	0	0	0
Other Operating Expenses	5,289	5,066	3,988	8,719
Inter-segment Costs	0	64	0	0
Total Operating Expenses	**5,289**	**5,130**	**3,988**	**8,719**
Other Income	39	17	42	126
Other Expenses	0	0	0	0
Segment EBIT	**5,304**	**6,678**	**(3,541)**	**(7,948)**
Finance Income	0	0	0	0
Finance Expenses	0	0	0	0
Income Tax Income / (Expenses)	0	0	0	0
Net (Loss) / Profit	**5,304**	**6,678**	**(3,541)**	**(7,948)**

	AbD Serotec		Unallocated		Elimination		Group	
	2012	2011	2012	2011	2012	2011	2012	2011
	13,657	13,906	0	0	0	0	48,858	83,711
	43	217	0	0	(43)	(217)	0	0
	13,700	**14,123**	**0**	**0**	**(43)**	**(217)**	**48,858**	**83,711**
	4,797	5,451	0	0	0	0	4,797	5,451
	8,806	8,317	7,150	8,420	0	0	46,499	58,649
	0	0	0	0	(43)	(217)	0	0
	13,603	**13,768**	**7,150**	**8,420**	**(43)**	**(217)**	**51,296**	**64,100**
	3	8	109	1	0	0	329	330
	139	50	58	1,876	0	0	197	1,926
	(39)	**313**	**(7,099)**	**(10,295)**	**0**	**0**	**(2,306)**	**18,015**
	0	0	637	1,141	0	0	637	1,141
	0	0	153	111	0	0	153	111
	0	0	599	(6,032)	0	0	599	(6,032)
	(39)	**313**	**(6,016)**	**(15,297)**	**0**	**0**	**(1,223)**	**13,013**

	AbD Serotec		Unallocated		Elimination		Group	
	2012	2011	2012	2011	2012	2011	2012	2011
	4,906	4,666	0	0	0	0	15,865	17,102
	0	64	0	0	0	(64)	0	0
	4,906	**4,730**	**0**	**0**	**0**	**(64)**	**15,865**	**17,102**
	1,566	1,714	0	0	0	0	1,566	1,714
	2,860	2,712	2,581	2,410	0	0	14,718	18,907
	0	0	0	0	0	(64)	0	0
	4,426	**4,426**	**2,581**	**2,410**	**0**	**(64)**	**16,284**	**20,621**
	(5)	(27)	17	4	0	0	93	120
	46	16	30	35	0	0	76	51
	429	**261**	**(2,594)**	**(2,441)**	**0**	**0**	**(402)**	**(3,450)**
	0	0	73	250	0	0	73	250
	0	0	36	2	0	0	36	2
	0	0	116	1,206	0	0	116	1,206
	429	**261**	**(2,441)**	**(987)**	**0**	**0**	**(249)**	**(1,996)**

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 nine months of 2012 (first nine months of 2011: € 0.2 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 Nine Months Period Ended September, (in 000's €)	2012	2011
Germany	1,667	2,845
Other Europe and Asia	38,171	70,448
USA and Canada	7,778	9,318
Other	1,242	1,100
Total	**48,858**	**83,711**

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 as other receivables.

4 Changes in Stockholders' Equity

COMMON STOCK

On September 30, 2012, the common stock of the Company amounted to € 23,308,622 (December 31, 2011: € 23,112,167). Through the exercise of 196,455 stock options issued to the Management Board and the Senior Management Group, common stock increased by € 196,455 in the first nine months of 2012. Treasury stock increased to € 3,594,393 as of September 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 September 30, 2012, additional paid-in capital amounted to € 174,307,762 (December 31, 2011: € 170,778,474). The total increase of € 3,529,288 was partly due to stock-based compensation in the amount of € 943,108; a further € 2,586,180 arose from the exercise of issued stock options.

5 Changes in Stock Options, Convertible Bonds and Performance Shares

In the first nine 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 the 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. One quarter 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 fully achieved. 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% as a maximum). An achievement of key performance indicators below 50% in any year will lead to a vesting of zero 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.

In 2012, 2,663 performance shares were forfeited because one beneficiary of the LTI plan, established in 2011, left MorphoSys.

7 Stock-based Compensation

As of September 30, 2012, stock-based compensation in the total amount of € 1.0 million was recorded as personnel expenses in the income statement. This amount comprised € 0.9 million from equity-settled share-based payment transactions, including stock-based compensation from the LTI plans in the amount of € 0.5 million. Further personnel expenses of € 0.05 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 nine months of 2012:

SHARES

	01/01/12	Additions	Forfeitures	Sales	09/30/12
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	09/30/12
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	09/30/12
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	09/30/12
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 nine months of 2012.

As of September 30, 2012, members of the Senior Management Group held 180,054 stock options (December 31, 2011: 310,320), 180,000 convertible bonds (December 31, 2011: 195,000), 15,000 stock appreciation rights (SARs) (December 31, 2011: 15,000), and 60,892 performance shares (December 31, 2011: 30,022) granted by the Company. In the first nine 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). 130,266 of these stock options were exercised in the first nine months of 2012, whereas no convertible bonds or stock appreciations rights were exercised during this period. In 2012, 2,663 performance shares and 7,500 convertible bonds were forfeited because one beneficiary left MorphoSys. 7,500 convertible bonds remained in the possession of this beneficiary.

10 Subsequent Events

There were no events requiring disclosure.

Imprint

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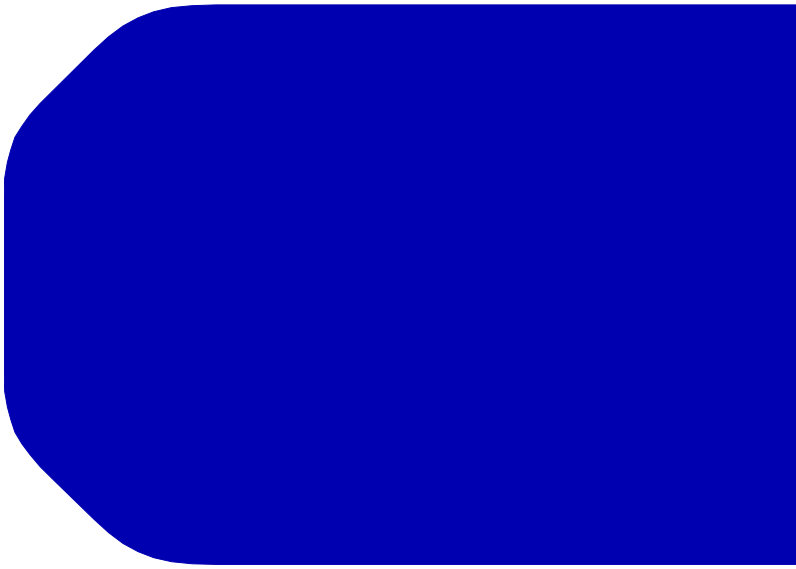
Financial Calendar 2012

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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