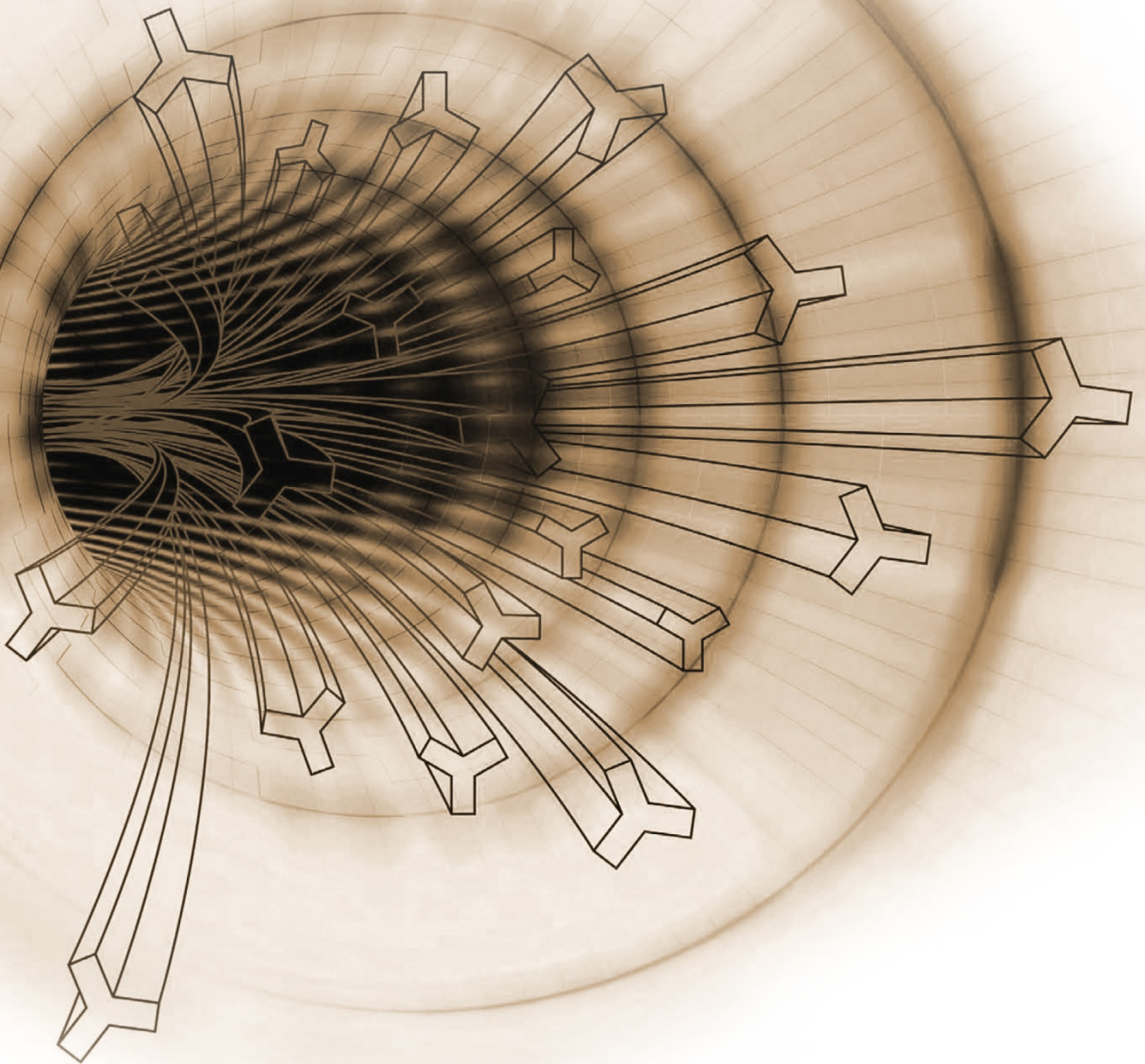


1st INTERIM REPORT JANUARY – MARCH 2010



morphosys
Engineering the Medicines of Tomorrow

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Dear Shareholders,



At the occasion of the year-end press conference in February, MorphoSys confirmed its commitment to accelerate in-house drug development over the course of 2010. The Company will invest €26 million to €29 million into this important future value driver in this year, while remaining profitable. In addition to conducting the phase 1b/2a trial in rheumatoid arthritis and preparing for phase 2 testing of our lead compound MOR103 in a second indication, MorphoSys will further accelerate and expand its proprietary development activities during the next 12 months. We aim to file a clinical trial application for our cancer compound MOR202 in the final quarter of the year. The Company also plans to add up to four new proprietary programs including both fully owned and co-development opportunities. In that vein, MorphoSys has selected two new target molecules for yet to be started internal programs, namely MOR105 and MOR206.

Additionally, in its Partnered Discovery segment, MorphoSys was able to expand its research alliance with Shionogi. Following a six-month beta test period to compare HuCAL PLATINUM, the latest and most powerful MorphoSys antibody library, with its predecessor HuCAL GOLD, Shionogi decided to implement HuCAL PLATINUM. Their decision to upgrade speaks clearly to the quality and the success of our internal technology development work in recent years.

The AbD Serotec segment has made preparations to expand its sales organization and support growth in continental and eastern Europe. Additionally, the segment has demonstrated significant progress using the HuCAL technology to generate custom-made monoclonal antibodies for research and diagnostic use. The increased success rates resulted, again, from implementing our latest technology platform HuCAL PLATINUM, as well as through ongoing process refinements and increasing degree of automation.

On a Group level, revenues for the first three months ended March 31, 2010 were €20.6 million, an 8% increase over the same period in the previous year. Operating profits came in at €4.7 million, and it is anticipated that expenses for proprietary product development will increase in the next three quarters of the year.

Thank you for your continued interest in and support of MorphoSys.

Sincerely yours,



Dave Lemus
Chief Financial Officer
MorphoSys AG

Interim Group Management Report: January 1 – March 31, 2010

Industry Overview

In the first quarter of 2010, antibody-related transactions included German Merck's KGaA acquisition of Millipore, one of the largest research tool providers including antibody-based reagents, for about €5 billion. Other transactions such as Abbott's acquisition of Facet Biotech or Cephalon's move to acquire Ception Therapeutics were in part motivated by mid-stage therapeutic antibody candidates developed by the acquired target companies.

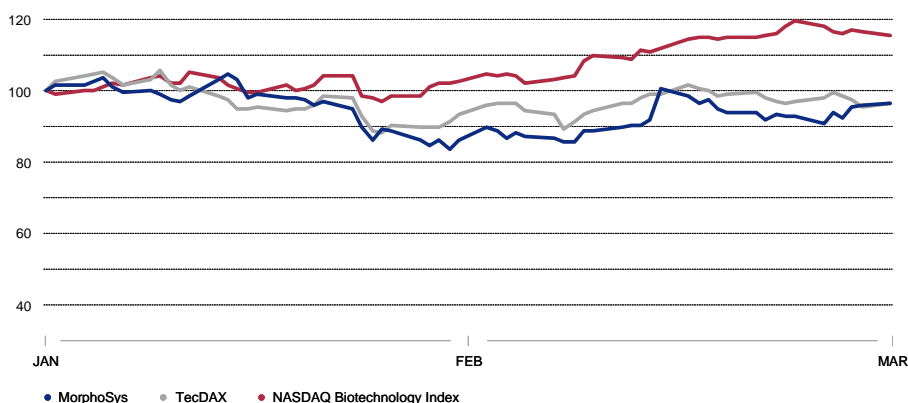
Significant licensing deals included two alliances in the area of inflammatory diseases between Eli Lilly and Incyte Corp. and AstraZeneca and Rigel Pharmaceuticals. Both deals included mid-stage clinical compounds to treat inflammatory conditions such as rheumatoid arthritis (RA) and featured significant double-digit million euro upfront payments for the respective biotech partner.

Looking at product-related newsflow, the FDA approved Actemra[®], an IL-6 receptor-blocking rheumatoid arthritis treatment, in the USA. Another significant event in the RA market was Roche's and Biogen Idec's decision to suspend development of Ocrelizumab[®] for use in arthritis after an independent monitoring board said safety risks outweigh benefits observed in patients. Danish antibody company Genmab publicized its results with Zalutumumab[®], an antibody targeting epidermal growth factor receptor, which unfortunately failed to reach the primary endpoint in a phase III trial in head and neck cancer.

MorphoSys Share Price Performance

The MorphoSys share price decreased during the first quarter by 1% year to date, while the major benchmark indices showed a mixed picture. More specifically, the NASDAQ Biotechnology Index increased during the quarter by 10.5%, the TecDAX decreased by 1%, while the DAX-subsector Biotechnology Performance Index increased by 4%. By comparison, a basket of international antibody companies (Source: BioCentury) increased by 0.8%.

The MorphoSys Share (January 4, 2010 = 100%)



Financial Analysis

Revenues

Compared to the same period of the previous year, Group revenues increased by 8% to €20.6 million in Q1 of 2010 (Q1 2009: €19.1 million). This increase mainly resulted from higher levels of funded research and licensing fees in the Partnered Discovery segment as well as from stronger sales in the AbD Serotec segment. Revenues arising from the Partnered Discovery and Proprietary Development segments accounted for 74% or €15.3 million (Q1 2009: €14.5 million) of total segment revenues while the AbD Serotec segment generated 26% (€5.5 million) of the total segment revenues (Q1 2009: €4.9 million).

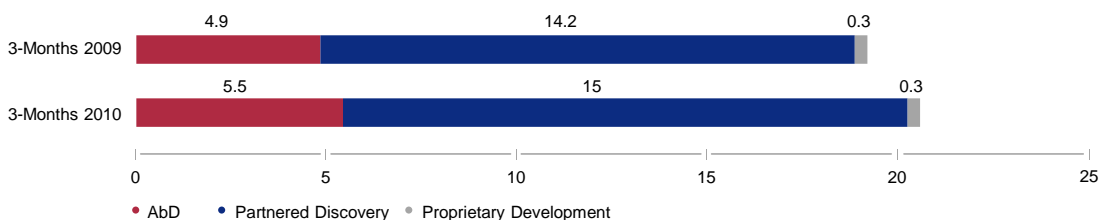
Geographically, 15% or €3.0 million of MorphoSys's commercial revenues were generated with biotechnology and pharmaceutical companies or non-profit organizations located in North America and 85% or €17.6 million with companies located mainly in Europe and Asia. This compares to 20% and 80%, respectively, in the same period of the prior year.

Partnered Discovery and Proprietary Development Segments

Segment revenues arising from the Partnered Discovery segment comprised €13.7 million in funded research and licensing fees (Q1 2009: €11.5 million) as well as €1.3 million success-based payments (Q1 2009: €2.8 million), representing 8% of total Partnered Discovery and Proprietary Development revenues. Segment revenues arising from the Proprietary Development segment included €0.3 million in funded research (Q1 2009: €0.3 million). Approximately 93% of Partnered Discovery and Proprietary Development revenues and 69% of total revenues arose from the Company's three largest alliances with Novartis, Daiichi Sankyo and Merck (Q1 2009: Novartis, Daiichi Sankyo and Merck, 87% and 65%, respectively).

Assuming constant foreign exchange rates at the average rate of Q1 2009, segment revenues in the Partnered Discovery and Proprietary Development segments would have totaled €15.4 million.

Revenue Development by Segment (in € million)*



* Differences due to rounding

AbD Serotec Segment

Compared to the same period of the previous year, AbD Serotec segment's revenues increased by 12%, or €0.6 million, to €5.5 million in 2010 (Q1 2009: €4.9 million). Assuming constant foreign exchange rates at the average rate for Q1 2009, revenues in the AbD Serotec segment would have remained unchanged.

As of March 31, 2010, orders in the amount of € 1.0 million were classified as backorders in the segment (March 31, 2009: € 2.0 million).

Operating Expenses

Compared to the first three months of 2009, total operating expenses increased by approximately 7% to € 15.9 million in Q1 2010 (Q1 2009: € 14.9 million). The change in operating expenses of € 1.0 million was mainly impacted by research and development (R&D) expenses increasing by 9% or € 0.8 million and sales, general and administrative (S, G&A) expenses slightly increasing from € 4.8 million to € 4.9 million.

Operating expenses increased by 2% to € 5.0 million (Q1 2009: € 4.9 million) in the Partnered Discovery segment and increased by 12% to € 4.6 million (Q1 2009: € 4.1 million) in the Proprietary Development segment. In the AbD Serotec segment, operating expenses increased by 7% to € 4.6 million (Q1 2009: € 4.3 million) and would have amounted to € 4.5 million under the assumption of constant foreign exchange rates at the average rate of Q1 2009.

Stock-based compensation expenses are embedded in COGS, S, G&A and R&D expenses. Stock-based compensation for the first three months of 2010 amounted to € 0.4 million (Q1 2009: € 0.3 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 three months of 2010 and – compared to the same period of the prior year – remained unchanged at € 1.7 million.

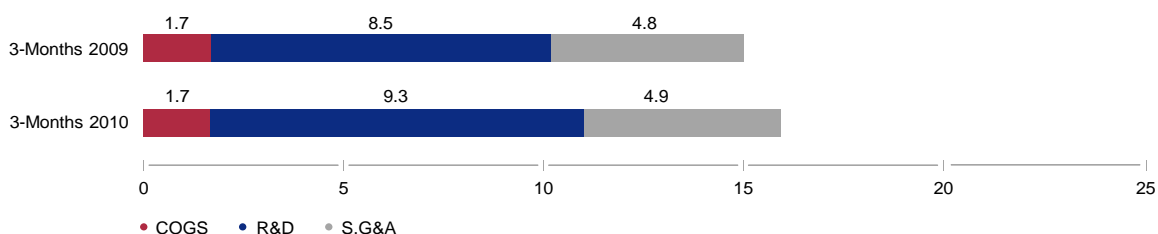
Research and Development Expenses

In the first three months of 2010, expenses for research and development increased by € 0.8 million to € 9.3 million (Q1 2009: € 8.5 million). This was mainly due to higher personnel costs (Q1 2010: € 3.9 million; Q1 2009: € 3.3 million) as well as increased material costs (Q1 2010: € 0.8 million; Q1 2009: € 0.4 million). In the first three months of 2010, the Company incurred costs for proprietary product development (excluding allocations for segment purposes) in the amount of € 3.8 million (Q1 2009: € 3.7 million) as well as costs for technology development in the amount of € 0.5 million (Q1 2009: € 0.1 million) which is accounted for in the Partnered Discovery segment.

Sales, General and Administrative Expenses

Compared to the same period of the previous year, sales, general and administrative expenses slightly increased by € 0.1 million to € 4.9 million (Q1 2009: € 4.8 million).

Development of Operating Expenses (in € million)



Non-operating Items

For the first three months of 2010, non-operating items mainly included other expenses of €0.2 million (Q1 2009: €0.1 million) and other income of €0.1 million (Q1 2009: €0.1 million).

Taxes

For the first three months of 2010, the Company reported income tax expenses in the amount of €1.4 million (Q1 2009: €1.6 million), which mainly consisted of current taxes.

Operating Profit / Net Profit

Group operating profit for the first three months of 2010 amounted to €4.7 million (Q1 2009: €4.2 million). Earnings before interest and taxes (EBIT) amounted to €4.5 million, compared to an EBIT of €5.0 million in the first three months of the previous year. The Partnered Discovery and Proprietary Development segments showed an operating profit of €10.0 million (Q1 2009: €9.3 million) and an operating loss of €4.3 million (Q1 2009: operating loss of €3.8 million), respectively. In the AbD Serotec segment, operating profit significantly increased to €0.9 million (Q1 2009: €0.6 million) and would have amounted to €1.0 million under the assumption of constant foreign exchange rates using the first-quarter 2009 average rates of the previous year.

A net profit after taxes of €3.2 million was achieved in the first three months of 2010, compared to a net profit after taxes of €3.5 million in the same period of the prior year. The resulting basic net profit per share for the first three months of 2010 amounted to €0.14 (Q1 2009: €0.16).

Liquidity / Cash Flows

Net cash inflow from operations in the first three months of 2010 amounted to €13.1 million (Q1 2009: cash outflow of €1.7 million). Investing activities resulted in a cash outflow of €9.0 million (Q1 2009: cash inflow of €7.1 million) whereas financing activities resulted in a cash inflow of €0.1 million (Q1 2009: cash outflow of €0.1 million).

As of March 31, 2010, the Company held €147.3 million in cash, cash equivalents and available-for-sale financial assets, compared to a year-end 2009 balance of €135.1 million.

Assets

Total assets increased by €5.0 million to €211.1 million as of March 31, 2010, compared to €206.1 million as of December 31, 2009. Current assets increased by €5.4 million mainly as a result of an increase in both marketable securities (€8.1 million) and cash and cash equivalents (€4.0 million), partly offset by a decrease in accounts receivable by €5.9 million.

Compared to December 31, 2009, non-current assets decreased by €0.4 million, mainly as a consequence of the amortization of licenses and patents.

Liabilities

In the first three months of 2010, current liabilities increased from €24.3 million as of December 31, 2009, to €26.5 million as of March 31, 2010, arising mainly from an increase in current deferred revenue (€5.2 million), which was partly offset by a decrease in accounts payable of €4.1 million.

Non-current liabilities decreased by €1.2 million to €6.7 million in the first three months of 2010, which was mainly impacted by a decrease in non-current deferred revenue.

Equity

Total stockholders' equity amounted to €177.9 million as of March 31, 2010, compared to €173.9 million as of December 31, 2009.

As of March 31, 2010, the total number of shares issued amounted to 22,677,078 of which 22,597,182 were outstanding, compared to 22,660,557 and 22,580,661 as of December 31, 2009, respectively.

The increase of shares outstanding by 16,521 arose from exercised options issued to employees.

Capital Expenditure

MorphoSys's investment in property, plant and equipment amounted to €0.6 million for the three-month period ended March 31, 2010, compared to €0.2 million in the same period of the prior year. Depreciation of property, plant and equipment for Q1 of 2010 accounted for €0.5 million compared to €0.4 million in the first three months of 2009.

During the first three months of 2010, the Company invested €0.4 million in intangible assets (Q1 2009: €0.1 million). Amortization of intangibles amounted to €0.9 million and remained unchanged in comparison to the first three months of 2009.

Human Resources

Number and Qualification of Employees

On March 31, 2010, the MorphoSys Group employed 428 people (December 31, 2009: 413). On average, the MorphoSys Group employed 424 people for the first three months of 2010 (first three months of 2009: 338).

Of the 428 employees, 269 worked in research and development and 159 in sales, general and administration (December 31, 2009: 257 and 156, respectively).

On March 31, 2010, 125 of MorphoSys's employees had a PhD degree (December 31, 2009: 121).

Of the 428 employees, 228 worked for the Partnered Discovery segment, 56 for the Proprietary Development segment and 144 for the AbD Serotec segment (December 31, 2009: 217 for the Partnered Discovery segment, 56 for the Proprietary Development segment and 140 for the AbD Serotec segment).

On March 31, 2010, MorphoSys had 2 apprenticeship positions (December 31, 2009: 3).

Pipeline Update

Partnered Discovery

During the first quarter of 2010, MorphoSys's existing partnered therapeutic antibody pipeline remained stable at 65 active antibody development programs in total, of which currently seven programs are in clinical development, 27 in preclinical development, and 31 in research (not including a co-development candidate with Novartis).

MorphoSys projects that during the remainder of 2010 between four and six partnered programs could enter clinical trials.

Proprietary Development

MOR103

In January 2010, MorphoSys enrolled the first patient in its phase 1b/2a clinical trial of its lead drug MOR103. The Company's lead development program, MOR103, is a fully human HuCAL antibody directed against GM-CSF (granulocyte macrophage-colony stimulating factor), being developed in the area of inflammatory diseases such as rheumatoid arthritis (RA), where current treatment options are inadequate.

In total, the randomized, double-blind, placebo-controlled, dose-escalation trial is expected to enroll 135 patients and will be conducted in multiple centers in several European countries. Patients with active RA despite previous therapy with NSAIDs, corticosteroids, DMARDs and/or anti-TNF-alpha therapies will each receive four infusions of either the HuCAL-derived antibody MOR103 or a placebo in three ascending dose cohorts. Enrollment is expected to be completed in the first half of 2011 with the final results expected in H1 2012.

The primary endpoint of the trial is to determine the safety and tolerability of multiple doses of up to 1.5 mg/kg of MOR103 in patients with active RA. Secondary outcome measures will evaluate pharmacokinetics, immunogenicity, and the drug's potential to improve clinical signs and symptoms of RA as measured by reduction of synovitis and bone edema as well as by ACR/EULAR28 response criteria and patient-reported outcomes.

MOR202

Extended toxicological studies are being conducted on MOR202 during 2010 in preparation for human clinical trials. The Company expects to file a clinical trial application (CTA) in the fourth quarter of 2010 and commence a phase 1/2 trial in early 2011.

Early-stage pipeline

Work with MOR205 and MOR104, two early-stage programs in cancer and inflammation, continues as planned. The early-stage cancer program MOR203 was discontinued. MorphoSys has selected two new target molecules in cancer and inflammation for yet to be started internal programs, namely MOR105 and MOR206.

Target Discovery

As part of the antibody alliance in bone and joint diseases with Galapagos NV another antibody target was added to the alliance, thereby increasing the total number of programs from three to four. The alliance aims to discover and develop antibody therapeutics based on novel modes of action in bone and joint diseases, including rheumatoid arthritis, osteoporosis and osteoarthritis. Antibodies with high specificity towards the first target have been generated and are now being tested in disease-specific *in vitro* and *in vivo* experiments. The partners have prioritized the targets in order to maximize the value and intellectual property position of the respective therapeutic antibody programs.

Risk and Opportunity Report

The risks and opportunities have not changed materially compared to the situation described in the Annual Report 2009.

Outlook

The Company's most recent guidance was given in February 2010. The Company estimates full-year 2010 Group revenues between €89 million and €93 million, and an operating profit of €5 million to €9 million, including investments in technology and product development in the amount of €26 million to €29 million (2009: €19.3 million). At the occasion of the reporting of the financial results of the first three months of 2010, MorphoSys reconfirmed full-year guidance.

Consolidated Statement of Operations (IFRS) – unaudited

	Note	Three Months Ended 03/31/2010 €	Three Months Ended 03/31/2009 €
Revenues	2	20,565,380	19,134,502
Operating Expenses	2		
Cost of Goods Sold		1,728,501	1,663,498
Research and Development		9,311,518	8,483,600
Sales, General and Administrative		4,862,083	4,769,141
Total Operating Expenses		15,902,102	14,916,239
Profit from Operations		4,663,278	4,218,263
Finance Income		36,367	907,453
Finance Expense		4,440	1,230
Other Income		116,029	112,269
Other Expense		236,991	148,321
Profit before Taxes		4,574,243	5,088,434
Income Tax Expense		1,382,339	1,581,586
Net Profit		3,191,904	3,506,848
Basic Net Profit per Share		0.14	0.16
Diluted Net Profit per Share		0.14	0.16
Shares Used in Computing Basic Net Profit per Share		22,592,412	22,410,141
Shares Used in Computing Diluted Net Profit per Share		22,743,001	22,517,647

See accompanying notes to the Interim Consolidated Financial Statements

Consolidated Statement of Comprehensive Income (IFRS) – unaudited

	Three Months Ended 03/31/2010	Three Months Ended 03/31/2009
	€	€
Net Profit	3,191,904	3,506,848
Change in Unrealized Gains and Losses on Available-for-sale Securities	82,513	(532,256)
(thereof Reclassifications of Unrealized Gains and Losses to Profit and Loss)	0	(767,780)
Deferred Taxes	(21,726)	140,143
Change in Unrealized Gains and Losses, Net of Deferred Tax	60,787	(392,113)
Effects from Equity-related Recognition of Deferred Taxes	(85)	(3,185)
Foreign Currency Gain from Consolidation	60,554	261,464
Comprehensive Income	3,313,160	3,373,014

Consolidated Balance Sheet (IFRS)

	March 31, 2010 (unaudited)	Dec. 31, 2009
Note	€	€
ASSETS		
Current Assets		
Cash and Cash Equivalents	45,349,187	41,255,316
Available-for-sale Financial Assets	101,954,837	93,883,571
Accounts Receivable	5,313,554	11,156,559
Income Tax Receivables	142,876	794,855
Other Receivables	301,152	257,550
Inventories, Net	3,720,716	3,990,238
Prepaid Expenses and Other Current Assets	3,426,764	3,481,709
Assets Classified as Held for Sale	772,423	771,798
Total Current Assets	160,981,509	155,591,596
Non-current Assets		
Property, Plant and Equipment, Net	5,150,663	4,996,804
Patents, Net	669,064	789,798
Licenses, Net	13,510,193	13,780,534
Software, Net	658,034	712,482
Know-how and Customer Lists, Net	1,997,846	2,083,633
Goodwill	26,706,372	26,742,173
Deferred Tax Asset	237,547	221,534
Prepaid Expenses and Other Assets, Net of Current Portion	1,142,930	1,172,041
Total Non-current Assets	50,072,649	50,498,999
Total Assets	211,054,158	206,090,595

See accompanying notes to the Interim Consolidated Financial Statements

Y	Statement of Operations
Y	Statement of Comprehensive Income
Y	Balance Sheet
Y	Statement of Changes in Stockholders' Equity
Y	Statement of Cash Flows
Y	Notes to the Financial Statements

	Note	March 31, 2010 (unaudited) €	Dec. 31, 2009 €
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable		10,006,156	14,106,352
Licenses Payable		459,696	100,746
Provisions and Tax Liabilities		2,254,223	1,426,760
Current Portion of Deferred Revenue		13,784,087	8,618,250
Total Current Liabilities		26,504,162	24,252,108
Non-current Liabilities			
Provisions, Net of Current Portion		43,344	43,344
Deferred Revenue, Net of Current Portion		4,435,053	5,579,610
Convertible Bonds Due to Related Parties		32,670	32,670
Deferred Tax Liability		2,176,565	2,248,498
Total Non-current Liabilities		6,687,632	7,904,122
Stockholders' Equity			
Common Stock, € 1.00 Par Value;			
Ordinary Shares Authorized (42,400,635 and 42,400,635 for 2010 and 2009, respectively)			
Ordinary Shares Issued (22,677,078 and 22,660,557 for 2010 and 2009, respectively)			
Ordinary Shares Outstanding (22,597,182 and 22,580,661 for 2010 and 2009, respectively)			
Treasury Stock (79,896 and 79,896 shares for 2010 and 2009, respectively), at Cost	3	22,667,304	22,650,783
Additional Paid-in Capital	3	162,229,586	161,631,268
Reserves		1,504,374	1,383,118
Accumulated Deficit		(8,538,900)	(11,730,804)
Total Stockholders' Equity		177,862,364	173,934,365
Total Liabilities and Stockholders' Equity		211,054,158	206,090,595

See accompanying notes to the Interim Consolidated Financial Statements

Consolidated Statement of Changes in Stockholders' Equity (IFRS) – unaudited

	Common Stock	
	Shares	€
Balance as of January 1, 2009	22,478,787	22,478,787
Compensation Related to the Grant of Stock Options and Convertible Bonds	0	0
Exercise of Options and Convertible Bonds Issued to Related Parties	13,500	13,500
Reserves:		
Change in Unrealized Gain on Available-for-sale Securities, Net of Deferred Tax	0	0
Effects from Equity-related Recognition of Deferred Taxes	0	0
Foreign Currency Gain from Consolidation	0	0
Net Profit for the Period	0	0
Comprehensive Income	0	0
Balance as of March 31, 2009	22,492,287	22,492,287
Balance as of January 1, 2010	22,660,557	22,660,557
Compensation Related to the Grant of Stock Options and Convertible Bonds	0	0
Exercise of Options and Convertible Bonds Issued to Related Parties	16,521	16,521
Reserves:		
Change in Unrealized Gain on Available-for-sale Securities, Net of Deferred Tax	0	0
Effects from Equity-related Recognition of Deferred Taxes	0	0
Foreign Currency Gain from Consolidation	0	0
Net Profit for the Period	0	0
Comprehensive Income	0	0
Balance as of March 31, 2010	22,677,078	22,677,078

See accompanying notes to the Interim Consolidated Financial Statements

	Treasury Stock	Additional Paid-in Capital	Revaluation Reserve	Translation Reserve	Accumulated Deficit	Total Stockholders' Equity	
	Shares	€	€	€	€	€	
	79,896	(9,774)	158,523,363	4,163,972	(2,474,261)	(20,694,899)	161,987,188
	0	0	282,136	0	0	0	282,136
	0	0	47,655	0	0	0	61,155
	0	0	0	(392,113)	0	0	(392,113)
	0	0	0	(3,185)	0	0	(3,185)
	0	0	0	0	261,464	0	261,464
	0	0	0	0	0	3,506,848	3,506,848
	0	0	0	(395,298)	261,464	3,506,848	3,373,014
	79,896	(9,774)	158,853,154	3,768,674	(2,212,797)	(17,188,051)	165,703,493
	79,896	(9,774)	161,631,268	3,371,195	(1,988,077)	(11,730,804)	173,934,365
	0	0	384,669	0	0	0	384,669
	0	0	213,649	0	0	0	230,170
	0	0	0	60,787	0	0	60,787
	0	0	0	(85)	0	0	(85)
	0	0	0	0	60,554	0	60,554
	0	0	0	0	0	3,191,904	3,191,904
	0	0	0	60,702	60,554	3,191,904	3,313,160
	79,896	(9,774)	162,229,586	3,431,897	(1,927,523)	(8,538,900)	177,862,364

Consolidated Statement of Cash Flows (IFRS) – unaudited

For the Period Ended March 31,	Note	2010 €	2009 €
Operating Activities			
Net Profit		3,191,904	3,506,848
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities:			
Depreciation and Amortization of Tangible and Intangible Assets		1,428,975	1,279,863
Income Tax Benefit		(199,120)	(41,734)
Net Gain on Sales of Financial Assets		0	(771,555)
Unrealized Net Loss on Derivative Financial Instruments		126,193	103,016
Loss/ (Gain) on Sale of Property, Plant and Equipment		3,870	(497)
Recognition of Deferred Revenue		(9,295,676)	(7,998,800)
Stock-based Compensation		384,669	282,136
Changes in Operating Assets and Liabilities:			
Accounts Receivable		5,886,169	(1,554,658)
Prepaid Expenses, Other Assets and Tax Receivables		1,081,907	1,305,065
Accounts Payable and Provisions		1,451,547	1,518,484
Licenses Payable		358,949	2,110,793
Other Liabilities		(4,777,587)	(2,831,794)
Deferred Revenue		13,316,956	1,163,314
Cash Generated from Operations		12,958,756	(1,929,519)
Interest Paid		3,869	0
Interest Received		(36,365)	(136,405)
Income Taxes Paid		136,240	395,476
Net Cash Provided by/ Used in Operating Activities		13,062,500	(1,670,448)

See accompanying notes to the Interim Consolidated Financial Statements

Y	Statement of Operations
Y	Statement of Comprehensive Income
Y	Balance Sheet
Y	Statement of Changes in Stockholders' Equity
Y	Statement of Cash Flows
Y	Notes to the Financial Statements

For the Period Ended March 31,	Note	2010 €	2009 €
Investing Activities:			
Purchases of Financial Assets		(7,988,753)	0
Proceeds from Sales of Financial Assets		0	7,345,773
Purchases of Property, Plant and Equipment		(637,227)	(159,873)
Proceeds from Disposals of Property, Plant and Equipment		0	530
Additions to Intangibles		(375,656)	(131,281)
Net Cash Used in/ Provided by Investing Activities		(9,001,636)	7,055,149
Financing Activities:			
Proceeds from the Exercise of Options and Convertible Bonds Granted to Related Parties		230,122	61,155
Net of Proceeds and Payments from the Issuance of Convertible Bonds Granted to Related Parties		0	(1,850)
Purchases of Derivative Financial Instruments		(175,900)	(173,304)
Proceeds from the Disposal of Derivative Financial Instruments		0	47,000
Net Cash Provided by/ Used in Financing Activities		54,222	(66,999)
Effect of Exchange Rate Differences on Cash		(21,215)	(17,862)
Increase in Cash and Cash Equivalents		4,093,871	5,299,840
Cash and Cash Equivalents at the Beginning of the Period		41,255,316	40,113,727
Cash and Cash Equivalents at the End of the Period		45,349,187	45,413,567

See accompanying notes to the Interim Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements – unaudited

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

The consolidated financial statements for the period ended March 31, 2010, include MorphoSys AG, MorphoSys IP 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 Changes in Accounting Policies

The accounting policies applied for the financial statements as of December 31, 2009, have been used throughout the first three months of 2010.

The Group applies IFRS 8 “Operating Segments” (effective from January 1, 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131 “Disclosures about segments of an enterprise and related information”. The standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. As of June 30, 2009, the Group implemented a third operating segment, Therapeutic Antibodies – Proprietary Development.

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 and geographical 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 as well as 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.

Y	Statement of Operations
Y	Statement of Comprehensive Income
Y	Balance Sheet
Y	Statement of Changes in Stockholders' Equity
Y	Statement of Cash Flows
Y	Notes to the Financial Statements

The Group consists of the following three main operating segments:

Partnered Discovery

MorphoSys possesses one of the leading technologies for the generation of human antibody therapeutics. The Company commercially exploits this technology via partnerships with multiple pharmaceutical and biotechnology companies. All activities related to these collaborations as well as 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 two lead compounds in its proprietary product portfolio, MOR103 and MOR202, as well as four programs in the discovery phase and one pre-development program with Novartis. Proprietary compounds, once developed to a stage where clinical proof of concept is achieved, can then be outlicensed to third parties.

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 generation of bespoke research antibodies for its customers. The segment also generates sales from catalog antibodies and bulk/industrial production of antibodies.

ENTITY-WIDE DISCLOSURES

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 Three Months Period
Ended March 31,**

(in 000's €)

	Partnered Discovery		Proprietary Development	
	2010	2009	2010	2009
Revenues, total	15,052	14,234	253	253
External Revenues	15,052	14,234	253	253
Inter-segment Revenues	-	-	-	-
Total Operating Expenses	5,008	4,910	4,588	4,067
Cost of Goods Sold	-	-	-	-
Other Operating Expenses	4,777	4,679	4,588	4,067
Inter-segment Costs	231	231	-	-
Segment Result	10,044	9,324	(4,335)	(3,814)
Finance Income	-	-	-	-
Finance Expense	-	-	-	-
Other Income	-	-	-	-
Other Expense	-	-	-	-
Profit before Taxes	-	-	-	-
Income Tax Expense	-	-	-	-
Net Profit	-	-	-	-

- Y Statement of Operations
- Y Statement of Comprehensive Income
- Y Balance Sheet
- Y Statement of Changes in Stockholders' Equity
- Y Statement of Cash Flows
- Y Notes to the Financial Statements

AbD Serotec		Unallocated		Elimination		Group	
2010	2009	2010	2009	2010	2009	2010	2009
5,491	4,879	-	-	(231)	(231)	20,565	19,135
5,260	4,648	-	-	-	-	20,565	19,135
231	231	-	-	(231)	(231)	-	-
4,570	4,255	1,967	1,915	(231)	(231)	15,902	14,916
1,729	1,664	-	-	-	-	1,729	1,664
2,841	2,591	1,967	1,915	-	-	14,173	13,252
-	-	-	-	(231)	(231)	-	-
921	624	(1,967)	(1,915)	-	-	4,663	4,219
-	-	-	-	-	-	36	907
-	-	-	-	-	-	4	1
-	-	-	-	-	-	116	112
-	-	-	-	-	-	237	148
-	-	-	-	-	-	4,574	5,089
-	-	-	-	-	-	1,382	1,582
-	-	-	-	-	-	3,192	3,507

For services performed by the AbD Serotec segment for the Partnered Discovery segment, a revenue sharing agreement was established in 2007. The compensatory fee to the AbD Serotec segment amounted to €0.2 million for the first three months of 2010.

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

For the Period Ended March 31, (in 000's €)	2010	2009
Germany	1,703	1,513
Other Europe and Asia	15,479	13,435
USA and Canada	3,026	3,894
Other	357	293
Total	20,565	19,135

3 Changes in Stockholders' Equity

Common Stock

On March 31, 2010, the common stock of the Company amounted to €22,677,078 (December 31, 2009: €22,660,557). Through the exercise of 16,521 options issued to management and employees, common stock increased by €16,521 in the first three months of 2010. Treasury stock amounted to €9,774 as of March 31, 2010 (December 31, 2009: €9,774).

Additional Paid-in Capital

On March 31, 2010, additional paid-in capital amounted to €162,229,586 (December 31, 2009: €161,631,268). The total increase of €598,318 is due to stock-based compensation in the amount of €384,669. A further increase of €213,649 arose from the exercise of issued stock options.

4 Changes in Convertible Bonds and Stock Options

As of March 31, 2010, no stock options or convertible bonds have been granted to members of the Management Board and to employees compared to December 31, 2009.

5 Directors' Dealings

The Group has related party transactions with its management and with members of the Supervisory Board. In addition to the cash remuneration, the Company has issued stock options and convertible bonds to the Management Board. The table below shows the shares, stock options and convertible bonds 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 three months of 2010:

Y	Statement of Operations
Y	Statement of Comprehensive Income
Y	Balance Sheet
Y	Statement of Changes in Stockholders' Equity
Y	Statement of Cash Flows
Y	Notes to the Financial Statements

Shares

	01/01/10	Additions	Forfeitures	Sales	31/03/10
Management Board					
Dr. Simon E. Moroney	416,385	0	0	0	416,385
Dave Lemus	5,400	0	0	0	5,400
Dr. Arndt Schottelius	500	1,000	0	0	1,500
Dr. Marlies Sproll	105	0	0	0	105
Total	422,390	1,000	0	0	423,390
Supervisory Board					
Dr. Gerald Möller	7,500	0	0	0	7,500
Prof. Dr. Jürgen Drews	7,290	0	0	0	7,290
Dr. Walter Blättler	2,019	0	0	0	2,019
Dr. Daniel Camus	0	0	0	0	0
Dr. Metin Colpan	0	0	0	0	0
Dr. Geoffrey N. Vernon	0	0	0	0	0
Total	16,809	0	0	0	16,809

Stock Options

	01/01/10	Additions	Forfeitures	Exercises	31/03/10
Management Board					
Dr. Simon E. Moroney	299,445	0	0	0	299,445
Dave Lemus	110,172	0	0	0	110,172
Dr. Arndt Schottelius	90,000	0	0	0	90,000
Dr. Marlies Sproll	177,867	0	0	0	177,867
Total	677,484	0	0	0	677,484
Supervisory Board					
Dr. Gerald Möller	0	0	0	0	0
Prof. Dr. Jürgen Drews	0	0	0	0	0
Dr. Walter Blättler	0	0	0	0	0
Dr. Daniel Camus	0	0	0	0	0
Dr. Metin Colpan	0	0	0	0	0
Dr. Geoffrey N. Vernon	0	0	0	0	0
Total	0	0	0	0	0

Convertible Bonds

	01/01/10	Additions	Forfeitures	Exercises	31/03/10
Management Board					
Dr. Simon E. Moroney	30,000	0	0	0	30,000
Dave Lemus	30,000	0	0	0	30,000
Dr. Arndt Schottelius	0	0	0	0	0
Dr. Marlies Sproll	30,000	0	0	0	30,000
Total	90,000	0	0	0	90,000
Supervisory Board					
Dr. Gerald Möller	0	0	0	0	0
Prof. Dr. Jürgen Drews	0	0	0	0	0
Dr. Walter Blättler	0	0	0	0	0
Dr. Daniel Camus	0	0	0	0	0
Dr. Metin Colpan	0	0	0	0	0
Dr. Geoffrey N. Vernon	0	0	0	0	0
Total	0	0	0	0	0

6 Transactions with Related Parties

Except for the transactions described in "Directors' Dealings", no other transactions with related parties have been entered into in the first three months of 2010.

Imprint

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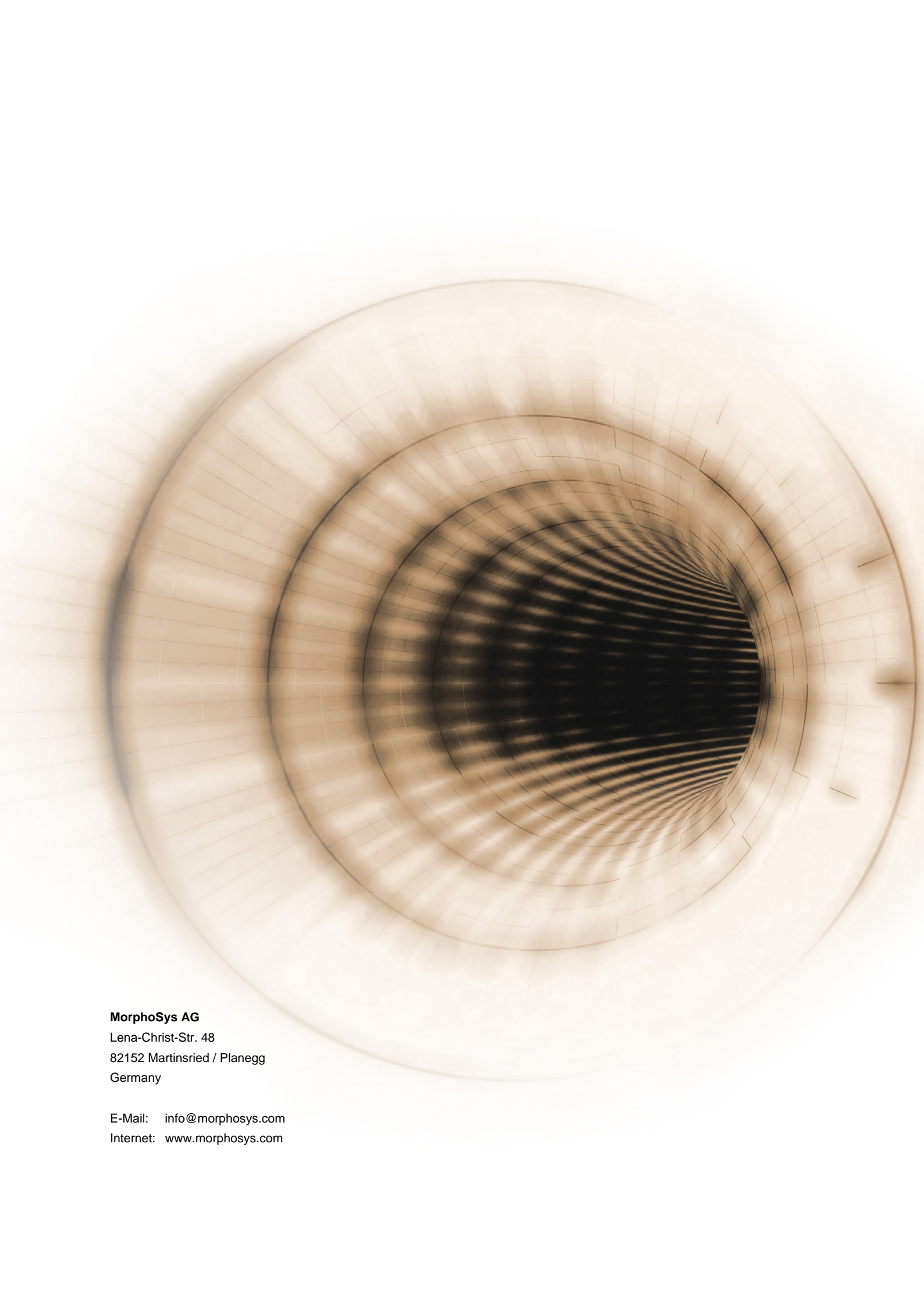
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