Half-Year Report

January – June 2017

morphosys

Engineering the Medicines of Tomorrow

Contents

MorphoSys Group:
Half-Year Report January – June 2017

Summary of the Second Quarter of 2017

FINANCIAL RESULTS FOR THE FIRST HALF OF 2017

- Group revenue in the first half of 2017 totaled € 23.6 million (Q1-Q2 2016: € 24.3 million), and EBIT amounted to € -30.3 million (Q1-Q2 2016: € -19.2 million).
- The Group's liquidity position on June 30, 2017 equaled € 334.8 million (December 31, 2016: € 359.5 million).
- The Company confirms its 2017 full-year guidance for revenue in the range of € 46 million to € 51 million and EBIT between € -75 million and € -85 million.

OPERATING HIGHLIGHTS FOR THE SECOND QUARTER OF 2017

- In early June 2017, MorphoSys presented updated clinical data from an ongoing phase 1/2a dose-escalation study of MOR202 in multiple myeloma (MM) at the American Society of Clinical Oncology (ASCO) Annual Meeting. The heavily pre-treated patients responded to therapy with MOR202 in combination with immunomodulatory drugs, the infusion time was relatively short, and the occurrence of infusion-related reactions was observed in only a low proportion of patients. The final trial data will be presented later in the year.
- Also at the 2017 ASCO Annual Meeting, MorphoSys presented the first safety and efficacy data of MOR208 in combination with lenalidomide (L-MIND study) from a phase 2 study in patients with malignant B cell lymphoma (DLBCL). The preliminary data in the first 44 patients show a good response to the therapy.
- In June, MorphoSys announced it had opened enrollment for the pivotal phase 3 part of the B-MIND clinical study of MOR208. The study is designed to investigate MOR208 in combination with the chemotherapeutic agent bendamustine in relapsed/refractory DLBCL patients in comparison to the combination of the cancer drug rituximab plus bendamustine.
- In May, MorphoSys announced the early completion of the first part of a phase 1 clinical study of MOR107 in healthy volunteers. The lanthipeptide compound is based on the proprietary technology platform of MorphoSys's subsidiary Lanthio Pharma.
- Also in May, MorphoSys's licensee Janssen reported it had applied a priority review voucher to the U.S. application for approval of guselkumab in moderate to severe plaque psoriasis with the goal of accelerating the approval process.
- On May 17, 2017, the MorphoSys AG Annual General Meeting re-elected the three Supervisory Board members Dr. Frank Morich, Wendy Johnson und Klaus Kühn with a large majority. Nominee Krisja Vermeylen was newly elected to the Supervisory Board.
- At the end of the second quarter of 2017, MorphoSys's pipeline comprised a total of 114 therapeutic antibody candidates, 29 of which are in clinical development.

MORPHOSYS PRODUCT PIPELINE AS OF JUNE 30, 2017

Program/Partner	Indication	Most Advanced Development Stage: Phase 1	Phase 2	Phase 3	Registration
Guselkumab (CNTO1959), Janssen	Psoriasis				
Gantenerumab, Roche	Alzheimer's disease				
MOR208	DLBCL, CLL/SLL				
Anetumab Ravtansine (BAY94-9343), Bayer	Solid tumors				
BHQ880, Novartis	Multiple myeloma				
Bimagrumab (BYM338), Novartis	Musculoskeletal diseases				
BPS804, Mereo/Novartis	Brittle bone syndrome				
CNTO3157, Janssen	Inflammation				
CNTO6785, Janssen	Inflammation				
Elgemtumab (LJM716), Novartis	Cancer				
MOR103/GSK3196165*, GSK	Inflammation				
MOR202	Multiple myeloma				
Tesidolumab (LFG316), Novartis	Eye diseases				
Utomilumab (PF-05082566), Pfizer	Cancer				
VAY736, Novartis	Inflammation				
Xentuzumab (BI-836845), BI	Solid tumors				
BAY1093884, Bayer	Hemophilia				
MOR106, Galapagos	Inflammation				
MOR107 (LP2-3), Lanthio Pharma	Not disclosed				
MOR209/ES414, Aptevo	Prostate cancer				
NOV-7, Novartis	Eye diseases				
NOV-8, Novartis	Inflammation				
NOV-9, Novartis	Diabetic eye diseases				
NOV-10, Novartis	Cancer				
NOV-11, Novartis	Blood disorders				
NOV-12, Novartis	Prevention of thrombosis				
NOV-13, Novartis	Cancer				
NOV-14, Novartis	Asthma				
Vantictumab (OMP-18R5), OncoMed	Solid tumors				

Partnered Discovery Programs

Proprietary Development Programs

* MOR103/GSK3196165 is fully outlicensed to GSK.

Interim Group Management Report: January 1 – June 30, 2017

Business Environment and Activities

ECONOMIC DEVELOPMENT

The International Monetary Fund (IMF) is projecting a global economic recovery in 2017. The global economy is forecast to grow 3.5% and a further 3.6% in 2018 after growth of 3.1% in 2016. Supporting this positive outlook is increased market activity, expectations of rising global demand and optimism in the financial markets. For Germany, however, the IMF expects only moderate growth of 1.6% in the current year alongside 1.7% for the Eurozone as a whole. The United States is projected to achieve comparatively strong growth of 2.3%.

The global financial markets picked up significantly in the first half of 2017. Both the German DAX index and the TecDAX index recorded new highs. Stock markets remained volatile in light of the political uncertainty surrounding Great Britain's exit from the European Union and the persistently tense financial situation in some European Union (EU) countries.

IMPLICATIONS FOR MORPHOSYS

The economic developments described above had only a limited impact on the development of MorphoSys's operating business in the first six months of 2017. MorphoSys's share price followed the general trend of rising share prices, particularly of the TecDAX.

SECTOR OVERVIEW

The world's leading medical conference for oncology, the 2017 American Society of Clinical Oncology (ASCO) Annual Meeting, was held from June 2–6 in Chicago, Illinois, with about 35,000 participants. MorphoSys attended the meeting and presented two of its proprietary programs.

BUSINESS PERFORMANCE

MorphoSys is pleased with the Company's business performance in the first half of 2017, both in terms of the development of its proprietary pipeline and its partnered discovery activities.

After entering clinical development at the start of the year, MorphoSys announced in May that its sixth proprietary compound, MOR107, completed the first part of a phase 1 clinical study ahead of schedule. The Company was furthermore able to start the pivotal phase 3 part of the B-MIND study of MOR208, which represents the first antibody from MorphoSys's proprietary pipeline to enter a pivotal study. In May, MorphoSys's licensee Janssen applied a priority review voucher to the current guselkumab license application in the U.S. for moderate to severe plaque psoriasis with the goal of accelerating guselkumab's approval.

At the end of the second quarter of 2017, MorphoSys's product pipeline comprised a total of 114 partnered and proprietary programs, 29 of which were in clinical development.

At the time of publishing this half-year report, MorphoSys was on track to reach its business and financial targets for the full year.

STRATEGY AND GROUP MANAGEMENT

MorphoSys has made no changes to its strategy or Group management during the first six months of 2017. A full description of the strategy and the Group management can be found on page 19 of the 2016 Annual Report.

Research and Development and Operating Business Development

PROPRIETARY DEVELOPMENT

MorphoSys's proprietary development activities are currently focused on five clinical candidates:

- the hemato-oncological programs MOR208 and MOR202, for which MorphoSys holds worldwide commercial rights;
- the antibody MOR106 for treating inflammatory diseases, which is being co-developed with Galapagos;
- the prostate cancer program MOR209/ES414, which is being co-developed with the US company Aptevo Therapeutics, a spin-off from Emergent BioSolutions; and
- the lanthipeptide MOR107 being developed by MorphoSys's Dutch subsidiary Lanthio Pharma.

Finally, GlaxoSmithKline (GSK) is conducting clinical tests of MOR103/GSK3196165, which was outlicensed to GSK, for the treatment of rheumatoid arthritis and hand osteoarthritis.

MOR208 is an Fc-enhanced therapeutic antibody targeting CD19, a molecule that can be found on the surface of blood cancer cells, for the treatment of B cell malignancies. Since 2016, MOR208 is being evaluated in three ongoing clinical studies in combination with other cancer drugs in various blood cancer indications.

The main focus of the current development program of MOR208 is on the indication of relapsed or refractory diffuse large B cell lymphoma (R/R DLBCL). Two of the three ongoing MOR208 studies are being conducted in this indication, the L-MIND trial and the B-MIND trial. Both trials are focusing on R/R DLBCL patients which are not eligible for either high-dose chemotherapy or autologous stem cell transplantation. For this group of patients, the available therapy options are currently very limited, which is why the Company sees a high unmet medical need for the development of alternative treatment options.

The open-label, single-arm phase 2 study called the L-MIND trial (**L**enalidomide-**M**OR208 **IN D**LBCL) is designed to evaluate the safety and efficacy of MOR208 in combination with lenalidomide in patients with relapsed or refractory diffuse large B cell lymphoma (R/R DLBCL). DLBCL is the most common form of non-Hodgkin's lymphoma (NHL). Preliminary data on the first 44 evaluable patients in the ongoing L-MIND trial were presented in June at the 2017 American Society of Clinical Oncology (ASCO) Annual Meeting, the Congress of the European Hematology Association (EHA) and the International Conference on Malignant Lymphoma (ICML) in Lugano, Italy. The data shows an objective response in 56% of the patients and complete remission in 32% of the patients. There were no infusion-related reactions (IRRs) reported for MOR208, and no unexpected safety signals have been observed to date. The Management Board is very pleased with the preliminary data presented and is particularly optimistic about the level of the response rates observed to date and especially complete remissions.

The phase 2/3 randomized double-arm B-MIND (**B**endamustine-**M**OR208 **IN D**LBCL) study is designed to evaluate the safety and efficacy of MOR208 in combination with the chemotherapeutic agent bendamustine in comparison to the cancer drug rituximab plus bendamustine in patients with R/R DLBCL. In June 2017, MorphoSys announced the start of the pivotal phase 3 part of the B-MIND trial. Prior to start of the trial, the Independent Data Monitoring Committee (IDMC) expressed its support for the start of the phase 3 part based on the available data from the phase 2 part evaluating the safety of the combination treatment. This is the first antibody from MorphoSys's proprietary pipeline to start pivotal phase 3 development. The study is expected to enroll a total of approximately 330 patients in roughly 180 centers across Europe, the Asia/Pacific region and the United States. The start of the phase 3 trial triggered a milestone payment to Xencor, Inc. that will be paid in July 2017.

In addition to the two combination trials in R/R DLBCL, MorphoSys has been evaluating MOR208 also in a phase 2 combination trial for chronic lymphocytic leukemia (CLL) and small lymphocytic lymphoma (SLL). The trial, named COSMOS (**C**LL patients assessed for **O**RR & **S**afety in **MO**R208 **S**tudy), is designed to evaluate MOR208 in combination with the cancer drug idelalisib in patients for which prior therapy with a BTK inhibitor such as ibrutinib was either unsuccessful or no longer successful. Currently, these patients have very limited therapy options available and, in the Company's opinion, a high unmet medical need. In the second quarter of 2017, preparations continued as planned for a second study cohort to evaluate MOR208 in combination with the cancer drug venetoclax. The enrollment of the first patient in the venetoclax cohort took place in early July, shortly after the end of the reporting period. Both study cohorts are currently in the safety part, in order to investigate the clinical safety of the two treatment combinations.

In an e-poster presentation at the Congress of the European Hematology Association (EHA) in June 2017, MorphoSys presented final data from a recently completed, earlier phase 1 trial of MOR208 as monotherapy in patients suffering from acute lymphoblastic leukemia (ALL).

MOR202 targets CD38, a strongly and uniformly expressed antigen on the surface of malignant plasma cells. MOR202 is currently being evaluated in a clinical phase 1/2a dose-escalation study in heavily pre-treated patients with relapsed/refractory multiple myeloma (MM). This study comprises three arms: MOR202, MOR202 in combination with the immunomodulatory drug lenalidomide (LEN) and MOR202 in combination with the immunomodulatory drug pomalidomide (POM), each with low-dose dexamethasone (DEX).

In June 2017, the Company presented updated safety and efficacy data from this ongoing study at the ASCO Annual Meeting. MOR202 was administered as a 2-hour infusion up to the highest dose of 16 mg/kg. Infusion-related reactions (IRRs) occurred only in 6% of patients in the clinically relevant dose cohorts of MOR202 (4 mg/kg, 8 mg/kg, 16 mg/kg) and were limited to grade 1 or 2. No unexpected safety signals were observed. Patients treated with MOR202 in combination with LEN/DEX and a median of three prior treatment regimens showed a response rate of 71% based on the “intent to treat” (ITT) population with treatment of nine patients still ongoing. The median progression-free survival (PFS) in this cohort was not yet reached. Patients treated with MOR202 in combination with POM/DEX had a median of four prior treatment regimens and showed an objective response rate of currently 46%, with treatment of eight patients still ongoing. It has to be stated that, at the time of data cut-off, the data of this combination was still relatively immature and that, in this patient group, responses are often detected after a longer treatment time. The current median PFS of this combination is 17.5 months with a median follow-up period of 8.5 months. Patient enrollment for this study has nearly been completed and follow-up is still ongoing.

MOR209/ES414 is currently in a phase 1 study in patients suffering from metastatic, castration-resistant prostate cancer. MorphoSys’s partner Aptevo continued the study during the reporting quarter in accordance with the study protocol, which had been amended in the prior year. In the second half of the year, MorphoSys expects further clinical data from this study, which will form the basis for evaluating the drug’s further development.

MOR106 is a fully human Ylanthia antibody against IL-17C, jointly discovered and developed by Galapagos and MorphoSys. MOR106 is the first publicly known antibody targeting IL-17C in clinical development worldwide. The compound is currently in a phase 1 trial initiated in 2016 in patients with atopic dermatitis. The study is investigating the safety, tolerability and the pharmacokinetic profile of MOR106 when administered in single ascending doses in healthy volunteers as well as multiple ascending doses in patients suffering from atopic dermatitis. Topline results of the study are expected in the second half of 2017.

MOR107 is a lanthipeptide based on the proprietary technology platform belonging to MorphoSys’s Dutch subsidiary Lanthio Pharma B.V. This compound is a selective agonist of the angiotensin II receptor type 2 (AT2-R). Lanthipeptides have been developed as a class of modified peptides with improved stability and selectivity. In the first quarter of 2017, MOR107 became the first lanthipeptide in MorphoSys’s clinical pipeline. In May 2017, MorphoSys announced it had completed the first part of a phase 1 clinical study in healthy volunteers and had started preparing for the second part of the study. Based on an initial analysis of the blinded data from the patients enrolled to date, in all doses

tested there were no clinically relevant safety events seen, and all adverse events observed thus far were temporary and mild.

In addition to the five clinical programs MOR208, MOR202, MOR209/ES414, MOR106 and MOR107, MorphoSys is also pursuing several proprietary programs in early stages of research and development, including collaboration programs on immuno-oncology programs with Merck Serono and collaboration targets with the MD Anderson Cancer Center, Galapagos and Immatics.

MOR103/GSK3196165 was outlicensed to GlaxoSmithKline (GSK). GSK is currently evaluating this HuCAL antibody in a phase 2b study and a phase 2a study in patients with rheumatoid arthritis (RA) as well as in a phase 2a clinical study in patients suffering from inflammatory hand osteoarthritis. MorphoSys expects data from these studies in the second half of 2017.

On June 30, 2017, the number of proprietary therapeutic antibody programs totaled 14, one of which was outlicensed (December 31, 2016: 14 programs, of which one was outlicensed). Of these programs, six are in clinical development and eight in the discovery stage.

PARTNERED DISCOVERY

The Partnered Discovery segment contains the activities and programs in which MorphoSys is contracted by its partners to apply its proprietary technology to discover new antibodies. The partners are then responsible for the products' clinical development and later commercialization. MorphoSys participates in the success of this later development and commercialization through set milestone payments and royalties.

In May 2017, MorphoSys announced that its licensee Janssen Research & Development, LLC (Janssen) had applied a priority review voucher to speed up the approval process for its current application with the U.S. Food and Drug Administration (FDA) for guselkumab for the treatment of moderate to severe plaque-type psoriasis. If the priority review voucher application is approved, then Janssen expects to receive U.S. market approval for guselkumab in the third quarter of 2017. Janssen also announced plans for three new phase 3 clinical studies with guselkumab, which include a phase 3 study to evaluate the comparative efficacy of guselkumab versus secukinumab for the treatment of moderate to severe plaque –type psoriasis (ECLIPSE study), a phase 3 study in psoriatic arthritis and a phase 3 program to evaluate guselkumab in Crohn's disease. According to Janssen, the ECLIPSE study has already been initiated and the psoriatic arthritis study is scheduled to begin in the third quarter of 2017.

In the first six months of 2017, the number of therapeutic antibodies in the Partnered Discovery segment remained constant at a total of 100 (December 31, 2016: 100). Of those programs, 23 are in clinical development, 23 in preclinical development and 54 in the discovery stage.

CORPORATE DEVELOPMENTS

At MorphoSys AG's Annual General Meeting on May 17, 2017, shareholders approved all of the management's resolutions with the required majority of votes. The elections to the Supervisory Board resulted in the new election of Krisja Vermeylen as the successor to Karin Eastham, who left the Supervisory Board effective with the close of the Annual General Meeting on May 17, 2017. In addition, Dr. Frank Morich, Klaus Kühn and Wendy Johnson were re-elected to the Supervisory Board effective with the completion of their term of office.

Intellectual Property

In the first six months of 2017, MorphoSys continued to consolidate and expand the patents protecting its development programs and growing technology portfolio. Both the development programs and the technology portfolio represent key value drivers for the Company.

Currently, the Company maintains more than 50 different proprietary patent families worldwide in addition to the numerous patent families it pursues in cooperation with its partners.

Human Resources

On June 30, 2017, the MorphoSys Group had 344 employees (December 31, 2016: 345). During the first six months of 2017, the number of employees at the MorphoSys Group averaged 347 (Q1-Q2 2016: 361).

Financial Analysis

Revenues

In comparison to the prior-year period, revenue declined slightly to € 23.6 million (Q1-Q2 2016: € 24.3 million). Success-based payments amounted to 1%, or € 0.3 million (Q1-Q2 2016: 8% or € 2.0 million), of total revenues. From a geographical standpoint, MorphoSys generated 5%, or € 1.1 million, of its commercial revenues with biotechnology and pharmaceutical companies and non-profit organizations headquartered in North America and 95%, or € 22.5 million, with partners primarily located in Europe and Asia. In the comparable period of the previous year, these figures were 8% and 92%, respectively. Approximately 96% of the Group's revenues were generated with Novartis, Leo Pharma and Pfizer (Q1-Q2 2016: 95% with Novartis, Pfizer and Bayer).

SEGMENT PROPRIETARY DEVELOPMENT

In the first half of 2017, the Proprietary Development segment generated revenues of € 0.5 million (Q1-Q2 2016: € 0.3 million).

SEGMENT PARTNERED DISCOVERY

The revenues of the Partnered Discovery segment included € 22.8 million in funded research and license fees (Q1-Q2 2016: € 21.9 million) as well as € 0.3 million in success-based payments (Q1-Q2 2016: € 2.0 million).

Operating Expenses

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses in the first six months of 2017 increased as anticipated to € 46.3 million (Q1-Q2 2016: € 36.7 million) as a result of ongoing projects. Expenses in this area were largely driven by expenses for external laboratory services of € 20.8 million (Q1-Q2 2016: € 15.1 million) and personnel expenses of € 14.5 million (Q1-Q2 2016: € 13.3 million).

DISTRIBUTION OF R&D EXPENSES (IN MILLION €)

	Q1-Q2 2017	Q1-Q2 2016
R&D expenses on behalf of Partners	8.4	8.4
Proprietary Development Expenses	37.3	27.4
Technology Development Expenses	0.6	0.9
R&D Total	**46.3**	**36.7**

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased compared to the same period in the previous year and amounted to € 8.0 million (Q1-Q2 2016: € 6.9 million). The main expenses under this item are personnel expenses amounting to € 6.2 million (Q1-Q2 2016: € 4.9 million) and expenses for external services of € 0.9 million (Q1-Q2 2016: € 1.1 million).

Financial Position

LIQUIDITY

On June 30, 2017, the Company's liquidity position amounted to € 334.8 million compared to € 359.5 million on December 31, 2016.

Liquidity consisted of the balance sheet items "cash and cash equivalents," "available-for-sale financial assets," "bonds, available-for-sale" and current and non-current "financial assets classified as loans and receivables."

The decline in liquidity was mainly the result of the use of cash for operations in the first six months of 2017.

Balance Sheet

ASSETS

As of June 30, 2017, total assets amounted to € 451.0 million and were € 12.6 million lower than their level on December 31, 2016 (€ 463.6 million). The decline in current assets of € 18.1 million mainly resulted from the use of cash for operations in the first six months of 2017.

In comparison to December 31, 2016, non-current assets increased by € 5.6 million to a total of € 161.1 million, mainly due to the milestone payment for MOR208 to Xencor. The milestone was capitalized in the item "in-process R&D programs" as contingent subsequent acquisition cost. This increase was partly offset by a shift of non-current assets of the category loans and receivables into current financial assets with remaining maturities under twelve months.

LIABILITIES

Current liabilities rose from € 38.3 million on December 31, 2016 to € 49.0 million on June 30, 2017. This increase mainly resulted from a rise in the item "accounts payable and accrued expenses," which

increased primarily as a result of the liability owed to Xencor for the above-mentioned milestone for the start of the phase 3 part of the B-MIND trial.

Non-current liabilities declined slightly by € 0.1 million compared to December 31, 2016. The decline resulted from a reduction in the item "deferred revenue, net of current portion," which was partly offset by the rise in other liabilities and deferred tax liabilities.

STOCKHOLDERS' EQUITY

On June 30, 2017, Group equity totaled € 392.2 million compared to € 415.5 million on December 31, 2016.

The number of shares issued totaled 29,326,110 as of June 30, 2017, of which 28,994,617 were outstanding (December 31, 2016: 29,159,770 shares issued and 28,763,760 shares outstanding). Common stock increased by € 166,340 due to the exercise of 166,340 convertible bonds granted to the Management Board and the Senior Management Group. The weighted-average exercise price of the convertible bonds was € 31.88.

The value of treasury shares declined from € 14,648,212 on December 31, 2016 to € 12,263,663 on June 30, 2017. The reason for this decline was the transfer of 55,012 treasury shares in the amount of € 2,033,244 from the performance-based 2013 long-term incentive plan – (LTI plan) to the Management Board and the Senior Management Group. The vesting period for this LTI program expired on April 1, 2017 and provided beneficiaries a six-month option until October 2, 2017 to receive a total of 61,323 shares. In addition, Chief Development Officer Dr. Malte Peters received 9,505 MorphoSys shares valued at € 351,305 in March 2017. As a result of these transactions, MorphoSys held 331,493 treasury shares as of June 30, 2017 (December 31, 2016: 396,010 treasury shares).

On June 30, 2017, additional paid-in capital amounted to € 434,201,825 (December 31, 2016: € 428,361,175). The increase totaling € 5,840,650 resulted mainly from the exercise of convertible bonds in the amount of € 5,120,223 and from the allocation of personnel expenses from share-based payments totaling € 3,104,976. This was partly compensated by the decline from the reclassification of own shares related to the allocation of shares in the amount of € 2,033,244 from the performance-based 2013 long-term incentive plan and the allocation of own shares to Dr. Peters in the amount of € 351,305.

Risk and Opportunity Report

The risks and opportunities and their assessment remain unchanged from the situation described on pages 62 – 70 in the 2016 Annual Report.

Outlook

FINANCIAL GUIDANCE

For the financial year 2017, MorphoSys continues to expect Group revenues in the range of € 46 million to € 51 million. R&D expenses for proprietary drug development are confirmed to be in a corridor of € 85 million to € 95 million and guidance for earnings before interest and taxes (EBIT) is expected to be between € -75 million and € -85 million. This guidance does not include any additional revenue from potential future collaborations and/or licensing partnerships nor effects from potential in-licensing or co-development deals for new development candidates.

The guidance does include a milestone payment for the Tremfya™ approval. Since royalties for Tremfya™ cannot be accurately projected shortly after the approval, the company will review its guidance as soon as the revenue uptake allows for reliable projections for FY 2017.

The statements in the 2016 Annual Report on pages 46 to 49 concerning the strategic outlook, expected business and human resources developments, future research and development and the dividend policy continue to apply.

Consolidated Income Statement (IFRS) – (unaudited)

€	Note	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016
Revenues	**2**	**11,748,602**	**12,161,838**	**23,588,660**	**24,256,814**
Operating Expenses	**2**				
Research and Development		23,041,440	18,018,337	46,323,567	36,650,677
General and Administrative		4,411,840	3,667,865	8,013,734	6,896,271
Total Operating Expenses		**27,453,280**	**21,686,202**	**54,337,301**	**43,546,948**
Other Income		481,058	99,995	704,659	270,509
Other Expenses		163,741	114,269	270,945	210,305
Earnings before Interest and Taxes (EBIT)		**(15,387,361)**	**(9,538,638)**	**(30,314,927)**	**(19,229,930)**
Finance Income	3	56,708	410,136	171,739	623,898
Finance Expenses	3	319,630	123,770	369,286	239,606
Income Tax (Expenses) / Income		(424,884)	(2,365,084)	(604,355)	21,314
Consolidated Net Profit / (Loss)		**(16,075,167)**	**(11,617,356)**	**(31,116,829)**	**(18,824,324)**
Basic Net Profit / (Loss) per Share		**(0.56)**	**(0.45)**	**(1.08)**	**(0.72)**
Diluted Net Profit / (Loss) per Share		**(0.55)**	**(0.44)**	**(1.07)**	**(0.72)**
Shares Used in Computing Basic Net Result per Share		28,954,392	26,083,489	28,865,564	26,091,328
Shares Used in Computing Diluted Net Result per Share		29,079,930	26,207,497	28,980,799	26,204,531

Consolidated Statement of Comprehensive Income (IFRS)* – (unaudited)

€	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016
Consolidated Net Profit / (Loss)	**(16,075,167)**	**(11,617,356)**	**(31,116,829)**	**(18,824,324)**
Change in Unrealized Gains and Losses on Available-for-sale Financial Assets and Bonds	107,922	(130,127)	90,373	(404,263)
(Thereof Reclassifications of Unrealized Gains and Losses to Profit and Loss)	107,700	71,171	87,817	(17,745)
Change of Tax Effects presented in Other Comprehensive Income on Available-for-sale Financial Assets and Bonds	67,408	(66,529)	63,659	6,597
Change in Unrealized Gains and Losses on Available-for-sale Financial Assets and Bonds, Net of Tax Effects	175,330	(196,656)	154,032	(397,666)
Change in Unrealized Losses on Cash Flow Hedges	(702,432)	307,467	(774,740)	(158,518)
Change of Tax Effects presented in Other Comprehensive Income on Cash Flow Hedges	111,463	(82,016)	130,751	42,285
Change in Unrealized Gains and Losses on Cash Flow Hedges, Net of Tax Effects	(590,969)	225,451	(643,989)	(116,233)
Comprehensive Income	**(415,639)**	**28,795**	**(489,957)**	**(513,899)**
Total Comprehensive Income	**(16,490,806)**	**(11,588,561)**	**(31,606,786)**	**(19,338,223)**

*) In the first six months of 2017 und 2016, the statement of comprehensive income only comprised components, which will be reclassified in terms of IAS 1.82A (b) to profit or loss in subsequent periods when specific conditions are met.

Consolidated Balance Sheet (IFRS)

€	Note	June 30, 2017 (unaudited)	Dec. 31, 2016 (audited)
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	61,995,236	73,928,661
Available-for-sale Financial Assets	4	75,248,023	63,361,727
Bonds, Available-for-sale	4	0	6,532,060
Financial Assets classified as Loans and Receivables	4	122,523,867	136,108,749
Accounts Receivable	4	13,583,566	12,596,655
Tax Receivables		602,484	519,915
Other Receivables	3, 4	240,065	656,887
Inventories, Net		351,407	310,366
Prepaid Expenses and Other Current Assets		15,397,056	14,041,469
Total Current Assets		**289,941,704**	**308,056,489**
Non-current Assets			
Property, Plant and Equipment, Net		3,982,792	4,189,108
Patents, Net		4,995,589	5,323,341
Licenses, Net		3,073,006	3,146,937
In-process R&D Programs		61,958,527	50,818,700
Software, Net		938,891	1,285,474
Goodwill		7,364,802	7,364,802
Financial Assets classified as Loans and Receivables, Net of Current Portion	4	75,026,646	79,521,181
Prepaid Expenses and Other Assets, Net of Current Portion		3,760,849	3,894,085
Total Non-current Assets		**161,101,102**	**155,543,628**
TOTAL ASSETS		**451,042,806**	**463,600,117**

€	Note	June 30, 2017 (unaudited)	Dec. 31, 2016 (audited)
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable and Accrued Expenses	4	43,979,145	32,222,616
Tax Provisions		167,920	1,652,006
Provisions		2,644,531	3,195,252
Current Portion of Deferred Revenue		2,246,914	1,232,072
Total Current Liabilities		**49,038,510**	**38,301,946**
Non-current Liabilities			
Provisions, Net of Current Portion		23,166	23,166
Deferred Revenue, Net of Current Portion		1,086,997	1,672,872
Convertible Bonds due to Related Parties	4	135,123	218,293
Deferred Tax Liability		7,672,516	7,421,835
Other Liabilities, Net of Current Portion		841,576	501,840
Total Non-current Liabilities		**9,759,378**	**9,838,006**
Total Liabilities		**58,797,888**	**48,139,952**
Stockholders' Equity			
Common Stock	5	29,326,110	29,159,770
Ordinary Shares Issued (29,326,110 and 29,159,770 for 2017 and 2016, respectively)			
Ordinary Shares Outstanding (28,994,617 and 28,763,760 for 2017 and 2016, respectively)			
Treasury Stock (331,493 and 396,010 shares for 2017 and 2016, respectively), at Cost	5	(12,263,663)	(14,648,212)
Additional Paid-in Capital	5	434,201,825	428,361,175
Revaluation Reserve	5	(353,856)	136,101
Accumulated Deficit		(58,665,498)	(27,548,669)
Total Stockholders' Equity		**392,244,918**	**415,460,165**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**451,042,806**	**463,600,117**

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

	Common Stock	
	Shares	€
Balance as of January 1, 2016	**26,537,682**	**26,537,682**
Compensation Related to the Grant of Convertible Bonds and Performance Shares	0	0
Repurchase of Treasury Stock in Consideration of Bank Fees	0	0
Stock-based Compensation	0	0
Reserves:		
Change in Unrealized Gains and Losses on Available-for-sale Financial Assets and Bonds, Net of Tax Effects	0	0
Change in Unrealized Losses on Cash Flow Hedges, Net of Tax Effects	0	0
Consolidated Net Loss for the Period	0	0
Total Comprehensive Income	0	0
Balance as of June 30, 2016	**26,537,682**	**26,537,682**
Balance as of January 1, 2017	**29,159,770**	**29,159,770**
Compensation Related to the Grant of Stock Options, Convertible Bonds and Performance Shares	0	0
Exercise of Convertible Bonds Issued to Related Parties	166,340	166,340
Stock-based Compensation	0	0
Transfer of Treasury Stock to Members of the Management Board	0	0
Reserves:		
Change in Unrealized Gains and Losses on Available-for-sale Financial Assets and Bonds, Net of Tax Effects	0	0
Change in Unrealized Gains and Losses on Cash Flow Hedges, Net of Tax Effects	0	0
Consolidated Net Loss for the Period	0	0
Total Comprehensive Income	0	0
Balance as of June 30, 2017	**29,326,110**	**29,326,110**

	Treasury Stock Shares	€	Additional Paid-in Capital €	Revaluation Reserve €	Accumulated Income/(Deficit) €	Total Stockholders' Equity €
	434,670	**(15,827,946)**	**319,394,322**	**(202,158)**	**32,834,107**	**362,736,007**
	0	0	1,327,729	0	0	1,327,729
	52,295	(2,181,962)	0	0	0	(2,181,962)
	(71,247)	2,633,289	(2,633,289)	0	0	0
	0	0	0	(397,666)	0	(397,666)
	0	0	0	(116,233)	0	(116,233)
	0	0	0	0	(18,824,324)	(18,824,324)
	0	0	0	(513,899)	(18,824,324)	(19,338,223)
	415,718	**(15,376,619)**	**318,088,762**	**(716,057)**	**14,009,783**	**342,543,551**
	396,010	**(14,648,212)**	**428,361,175**	**136,101**	**(27,548,669)**	**415,460,165**
	0	0	3,104,976	0	0	3,104,976
	0	0	5,120,223	0	0	5,286,563
	(55,012)	2,033,244	(2,033,244)	0	0	0
	(9,505)	351,305	(351,305)	0	0	0
	0	0	0	154,032	0	154,032
	0	0	0	(643,989)	0	(643,989)
	0	0	0	0	(31,116,829)	(31,116,829)
	0	0	0	(489,957)	(31,116,829)	(31,606,786)
	331,493	**(12,263,663)**	**434,201,825**	**(353,856)**	**(58,665,498)**	**392,244,918**

Consolidated Statement of Cash Flows (IFRS) – (unaudited)

Q1-Q2 (in €)	Note	2017	2016
Operating Activities:			
Consolidated Net Loss for the Period		(31,116,829)	(18,824,324)
Adjustments to Reconcile Net Loss to Net Cash Provided by / (Used in) Operating Activities:			
Depreciation and Amortization of Tangible and Intangible Assets		1,997,971	1,837,458
Net (Gain) / Loss on Sales of Financial Assets		119,548	6,453
Proceeds from Derivative Financial Instruments		(30,359)	596,694
Net (Gain) / Loss on Derivative Financial Instruments		226,284	28,636
Net (Gain) / Loss on Sale of Property, Plant and Equipment		2,042	18
Recognition of Deferred Revenue		(9,623,524)	(9,587,821)
Stock-based Compensation	8	3,104,976	1,327,729
Income Tax (Income) / Expenses		604,355	(21,314)
Changes in Operating Assets and Liabilities:			
Accounts Receivable		(986,911)	(197,237)
Prepaid Expenses, Other Assets and Tax Receivables		(1,297,859)	(1,181,207)
Accounts Payable and Accrued Expenses and Provisions		(559,266)	1,617,912
Other Liabilities		332,515	(350,960)
Deferred Revenue		10,052,491	9,072,597
Income Taxes Paid		(1,732,896)	(415,243)
Net Cash Provided by / (Used in) Operating Activities		**(28,907,462)**	**(16,090,609)**

in €	Note	2017	2016
Investing Activities:			
Purchase of Available-for-sale Financial Assets		(17,383,410)	(70,870,000)
Proceeds from Sales of Available-for-sale Financial Assets		5,500,000	69,000,001
Proceeds from Sales of Bonds, Available-for-sale		6,500,000	5,696,000
Purchase of Financial Assets Classified as Loans and Receivables		(63,000,000)	(114,499,998)
Proceeds from Sale of Financial Assets Classified as Loans and Receivables		80,998,661	104,899,999
Purchase of Property, Plant and Equipment		(764,962)	(354,687)
Purchase of Intangibles		(280,471)	(181,905)
Interest Received		200,826	1,241,779
Net Cash Provided by / (Used in) Investing Activities		**11,770,644**	**(5,068,811)**
Financing Activities:			
Proceeds from the Exercise of Convertible Bonds Granted to Related Parties in Consideration of Transaction Fees	6	5,203,393	0
Repurchase of Treasury Stock in Consideration of Bank Fees		0	(2,181,963)
Interest Paid		0	(1,818)
Net Cash Provided by / (Used in) Financing Activities		**5,203,393**	**(2,183,781)**
Increase / (Decrease) in Cash and Cash Equivalents		(11,933,425)	(23,343,201)
Cash and Cash Equivalents at the Beginning of the Period		**73,928,661**	**90,927,673**
Cash and Cash Equivalents at the End of the Period		**61,995,236**	**67,584,472**

Notes (unaudited)

MorphoSys AG ("the Company" or "MorphoSys") is a leader in the development of highly efficient technologies for generating therapeutic antibodies. The Company's proprietary portfolio and pipeline of compounds jointly developed with partners from the pharmaceutical and biotechnology industry are among the broadest in the industry. The Group was founded in July 1992 as a German limited liability company and became a German stock corporation in June 1998. In March 1999, the Company completed its initial public offering on Germany's "Neuer Markt", the segment of the Deutsche Börse designated for high-growth companies. On January 15, 2003, MorphoSys AG was admitted to the Prime Standard segment of the Frankfurt Stock Exchange. MorphoSys AG's registered head office is located in Planegg (district of Munich), and the registered business address is Semmelweisstraße 7, 82152 Planegg, Germany. The Company is registered in the Commercial Register, Section B, of the District Court of Munich under HRB 121023.

These interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) taking into account the recommendations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) as applicable in the European Union (EU). These interim consolidated financial statements comply with IAS 34 "Interim Financial Reporting."

The condensed interim consolidated financial statements do not contain all of the information and disclosures required for financial year-end consolidated financial statements and, therefore, should be read in conjunction with the consolidated financial statements dated December 31, 2016.

The condensed interim consolidated financial statements were approved for publication on August 3, 2017.

The consolidated financial statements as of June 30, 2017, include MorphoSys AG, Sloning BioTechnology GmbH (Planegg), Lanthio Pharma B.V. (Groningen, The Netherlands) and LanthioPep B.V. (Groningen, The Netherlands), which are collectively known as the "Group."

1 Accounting Policies

The accounting and valuation principles applied to the consolidated financial statements for the financial year ending December 31, 2016, were also applied to the first six months of 2017 and can be found on the Company's website under www.morphosys.com/financial-reports.

The mandatory application of the following revised standards was required for the first time in the financial year.

Standard		Mandatory application for financial years starting on	Adopted by the European Union	Impact on MorphoSys
IFRS 10.12 und IAS 28 (A)	Investment Entities – Applying the Consolidation Exception	01/01/2016	yes	none

(A) Amendments

The following new and revised standards, which were not yet mandatory for the reporting period or were not yet adopted by the European Union were not applied in advance. Standards with the remark "yes" are likely to have an impact on the consolidated financial statements and are currently being assessed by the Group. Standards with the remark "none" are not expected to have a material impact on the consolidated financial statements.

Standard / Interpretation		Mandatory application for financial years starting on	Adopted by the European Union	Impact on MorphoSys
IFRS 9	Financial Instruments	01/01/2018	yes	yes
IFRS 14	Regulatory Deferral Accounts	01/01/2016	no	none
IFRS 15 und IFRS 15 (A)	Revenue from Contracts with Customers	01/01/2018	yes	yes
IFRS 16	Leases	01/01/2019	no	yes
IFRS 17	Insurance Contracts	01/01/2021	no	none
IFRS 2 (A)	Classification and Measurement of Share-based Payment Transactions	01/01/2018	no	yes
IFRS 4 (A)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01/01/2018	no	none
IFRS 15 (C)	Revenue from Contracts with Customers	01/01/2018	yes	yes
IAS 7 (A)	Disclosure Initiative	01/01/2017	no	none
IAS 12 (A)	Recognition of Deferred Tax Assets for Unrealized Losses	01/01/2017	no	yes
IAS 40 (A)	Transfers of Investment Property	01/01/2018	no	none
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01/01/2018	no	none
IFRIC 23	Uncertainty over Income Tax Treatments	01/01/2019	no	none
	Annual Improvements to IFRSs 2014–2016 Cycle	01/01/2017 / 01/01/2018	no	none

(A) Amendments
(C) Clarifications

IFRS 9, the new standard governing financial instruments, may lead to changes in the classification and measurement of financial assets and financial liabilities. Upon first-time recognition, financial assets are classified as assets to be measured “at fair value” or “at amortized cost”, depending on the business model and the contractually agreed cash flows of the respective financial instruments. Depending on the classification, the subsequent measurement of financial assets is carried out either at amortized cost or at fair value. Changes in the fair value are to be recognized in profit or loss or in other comprehensive income. The requirements for the de-recognition of financial assets and liabilities and the general accounting of financial liabilities have been adopted to a large extent from IAS 39. Changes to the classification may result in changes to MorphoSys’s financial assets that are classified as “available-for-sale” or “loans and receivables” in accordance with IAS 39. No material conversion effects are expected with regard to the measurement of financial assets and financial liabilities. Hitherto, “available-for-sale” financial instruments are measured already at fair value in accordance with IAS 39 and thus no conversion effects will arise.

The provisions in the new standard for the recognition of impairments are based on the expected credit loss model and replace the model of incurred losses applied under IAS 39. Unlike under IAS 39, financial assets are to be divided into different risk classes according to historical and future expected loss probabilities, and a risk provision must be recognized before the occurrence of loss events. Past experience and the Group’s expectations regarding the performance of existing assets do only suggest minor future losses. Therefore no additional impairment should be recognized at the time of initial application other than the 12-month expected credit loss in accordance with IFRS 9. For “Accounts receivable” the simplified impairment model will be applied with recognition of a loss allowance based on lifetime expected credit losses.

IFRS 9 is not expected to have an impact on the recognition of hedging relationships. Currently, a single forward exchange transaction is subject to hedge accounting under IAS 39. Because the forward exchange transaction expired at the beginning of July 2017, this transaction will conclude before IFRS 9 takes effect. As of June 30, 2017, there were no other hedging instruments that were subject to hedge accounting.

Qualitative and quantitative adjustments to the disclosures in accordance with IFRS 7 are expected due to the implementation of IFRS 9, however, only for the fiscal year 2018.

The potential impact on the Group from IFRS 15 “Revenue from Contracts with Customers” and IFRS 16 “Leases” has not changed in comparison to December 31, 2016. Please refer to the information provided in the consolidated financial statements dated December 31, 2016.

2 Segment Reporting

When conducting segment reporting, the MorphoSys Group applies IFRS 8 “Segment Reporting”. An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the entity’s chief operating decision maker, the Management Board, and for which discrete financial information is available.

Segment information is provided for the Group’s operating segments based on the Group’s management and internal reporting structures. Segment results include items that can be either directly attributed to the individual segment or allocated to the segment on a reasonable basis.

The Management Board evaluates a segment's economic success using selected key figures that include the Group's complete income and expenses. Operating earnings before interest and taxes, or EBIT, is the key benchmark for measuring and evaluating the operating results. Other key internal reporting figures include revenues, operating expenses, segments results and liquidity.

The Group consists of the business segments described below.

PROPRIETARY DEVELOPMENT

The Proprietary Development segment comprises all activities related to the proprietary development of therapeutic antibodies and peptides as well as proprietary technologies. The segment's activities currently comprise a total of 14 antibodies and peptides, including the clinical proprietary programs MOR208, MOR202, MOR209/ES414, the compound being co-developed with the US company Aptevo Therapeutics, a spin-off of Emergent BioSolutions, and the antibody MOR106, which is being developed in cooperation with Galapagos. The MOR107 program (formerly LP2) resulting from the acquisition of Lanthio Pharma B.V. has been in phase 1 clinical development since February 2017. The proprietary program MOR103 is also included in this segment. MOR103 was out-licensed to GlaxoSmithKline (GSK) in 2013 and all activities have been carried out by GSK since that time. This program originated in the proprietary development segment where it started its development and will, therefore, continue to be reported in this segment. In addition, there are a further eight programs in the discovery stage.

PARTNERED DISCOVERY

MorphoSys possesses one of the leading technologies for generating therapeutics based on human antibodies. The Group markets this technology commercially through its partnerships with numerous pharmaceutical and biotechnology companies. This segment encompasses all operating activities relating to these collaborations.

Q1-Q2	Proprietary Development		Partnered Discovery		Unallocated		Group	
(in 000's €) *	2017	2016	2017	2016	2017	2016	2017	2016
Revenues	460	345	23,129	23,912	0	0	23,589	24,257
Operating Expenses	37,871	28,324	9,111	8,832	7,355	6,391	54,337	43,547
Other Income	132	148	0	0	572	123	704	271
Other Expenses	0	0	0	0	271	210	271	210
Segment EBIT	**(37,279)**	**(27,831)**	**14,018**	**15,080**	**(7,054)**	**(6,478)**	**(30,315)**	**(19,229)**
Finance Income	0	0	0	0	172	624	172	624
Finance Expenses	0	0	0	0	369	240	369	240
Profit / (Loss) before Taxes	**(37,279)**	**(27,831)**	**14,018**	**15,080**	**(7,251)**	**(6,094)**	**(30,512)**	**(18,845)**
Income Tax (Expenses) / Income	0	0	0	0	(604)	21	(604)	21
Consolidated Net Profit / (Loss)	**(37,279)**	**(27,831)**	**14,018**	**15,080**	**(7,855)**	**(6,073)**	**(31,116)**	**(18,824)**

Q2 (in 000's €) *	Proprietary Development		Partnered Discovery		Unallocated		Group	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenues	255	211	11,494	11,951	0	0	11,749	12,162
Operating Expenses	18,649	13,754	4,728	4,527	4,076	3,405	27,453	21,686
Other Income	59	52	0	0	422	48	481	100
Other Expenses	0	0	0	0	164	114	164	114
Segment EBIT	**(18,335)**	**(13,491)**	**6,766**	**7,424**	**(3,818)**	**(3,471)**	**(15,387)**	**(9,538)**
Finance Income	0	0	0	0	57	410	57	410
Finance Expenses	0	0	0	0	319	124	319	124
Profit / (Loss) before Taxes	**(18,335)**	**(13,491)**	**6,766**	**7,424**	**(4,080)**	**(3,185)**	**(15,649)**	**(9,252)**
Income Tax (Expenses) / Income	0	0	0	0	(425)	(2,365)	(425)	(2,365)
Consolidated Net Profit / (Loss)	**(18,335)**	**(13,491)**	**6,766**	**7,424**	**(4,505)**	**(5,550)**	**(16,074)**	**(11,617)**

* Differences due to rounding.

The following table provides an overview of the geographic distribution of Group revenues.

Q1-Q2 (in 000's €)	2017	2016
Germany	490	1,345
Europe and Asia	22,040	20,959
USA and Canada	1,059	1,953
Total	**23,589**	**24,257**

3 Financial Instruments

MorphoSys regularly employs the use of foreign-currency options and forward contracts to hedge its foreign exchange risk. As of June 30, 2017, there were six (December 31, 2016: 10) unsettled forward rate agreements with remaining maturities of one to five months. A gross unrealized loss of € 0.2 million (December 31, 2016: less than € 0.1 million) was recorded in the financial result. On June 30, 2017 the forward rate agreements did not account for any gross unrealized profit (December 31, 2016: € 0.1 million).

A forward rate agreement from January 2016, originally expiring in early April 2017, has been accounted for as a cash flow hedge under hedge accounting. Upon its original expiry date, the agreement's expiry was extended to early July 2017. The agreement continues to be accounted for as a cash flow hedge under hedge accounting. As of June 30, 2017, this derivative is designated as a fully effective hedging instrument and is recognized with an unrealized total loss of € 0.3 million in other comprehensive income.

4 Fair Value Measurement

MorphoSys uses the following hierarchy for determining and disclosing the fair value of financial instruments.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities to which the Company has access.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

The carrying amounts of financial assets and liabilities such as cash and cash equivalents, marketable securities, financial assets classified as loans and receivables, as well as accounts receivable and accounts payable approximate their fair values due to their short-term maturities.

The fair value of marketable securities is based on quoted market prices (hierarchy Level 1, quoted prices in active markets).

Hierarchy Level 2 contains forward exchange contracts used for hedging currency fluctuation. Future cash flows for these forward exchange contracts are determined using forward curves. The fair value of these instruments is equivalent to their discounted cash flows.

There were no financial assets or liabilities allocated to hierarchy Level 3.

There were no transfers from one fair value hierarchy level to another in the years 2017 and 2016.

The fair values of financial assets and liabilities and the carrying amounts presented in the consolidated balance sheet consist of the items shown in the following table.

June 30, 2017	Note	Loans and Receivables	Available-for-Sale	Other Financial Liabilities	Total Carrying Amount	Fair value
(in 000's €)						
Cash and Cash Equivalents		61,995	0	0	61,995	61,995
Financial Assets classified as Loans and Receivables		122,524	0	0	122,524	122,524
Accounts Receivable		13,584	0	0	13,584	*
Other Receivables		240	0	0	240	240
Financial Assets classified as Loans and Receivables, Net of Current Portion		75,027	0	0	75,027	75,027
Available-for-sale Financial Assets		0	75,248	0	75,248	75,248
		273,370	**75,248**	**0**	**348,618**	**335,034**
Convertible Bonds - Liability Component		0	0	(135)	(135)	(135)
Accounts Payable and Accrued Expenses		0	0	(43,979)	(43,979)	*
Forward Exchange Contracts Used for Hedging	3	0	0	(881)	(881)	(881)
		0	**0**	**(44,995)**	**(44,995)**	**(1,016)**

December 31, 2016	Note	Loans and Receivables	Available-for-Sale	Other Financial Liabilities	Total Carrying Amount	Fair value
(in 000's €)						
Cash and Cash Equivalents		73,929	0	0	73,929	73,929
Financial Assets classified as Loans and Receivables		136,109	0	0	136,109	136,109
Accounts Receivable		12,597	0	0	12,597	*
Forward Exchange Contracts Used for Hedging	3	520	0	0	520	520
Other Receivables		137	0	0	137	137
Financial Assets classified as Loans and Receivables, Net of Current Portion		79,521	0	0	79,521	79,521
Available-for-sale Financial Assets		0	63,362	0	63,362	63,362
Bonds, Available-for-sale		0	6,532	0	6,532	6,532
		302,813	**69,894**	**0**	**372,707**	**360,110**
Convertible Bonds - Liability Component		0	0	(218)	(218)	(218)
Accounts Payable and Accrued Expenses		0	0	(32,223)	(32,223)	*
		0	**0**	**(32,441)**	**(32,441)**	**(218)**

* Declaration waived in line with IFRS 7.29 (a).)

As of June 30, 2017, the line item “accounts payable and accrued expenses” also included the liability towards Xencor from the MOR208 milestone for the start of the phase 3 part of the B-MIND trial. On the asset side, this milestone payment was capitalized under “in-process R&D programs” as contingent subsequent acquisition cost. Since this transaction did not have a cash impact as of the balance sheet date, it was not recorded in the statement of cash flows in accordance with IAS 7.43.

5 Changes in Stockholder’s Equity

COMMON STOCK

On June 30, 2017, the Company had common stock amounting to € 29,326,110 (December 31, 2016: € 29,159,770). Common stock increased by € 166,340 from the exercise of 166,340 convertible bonds granted to the Management Board and the Senior Management Group. The weighted average exercise price of the convertible bonds was € 31.88.

As of June 30, 2017, the value of treasury shares decreased to € 12,263,663 from € 14,648,212 on December 31, 2016. This decline resulted from the transfer of 55,012 of the Company’s own shares in the amount of € 2,033,244 from the performance-based 2013 long-term incentive plan – (LTI plan) to the Management Board and the Senior Management Group. The vesting period for this LTI program expired on April 1, 2017 and provided beneficiaries a six-month option until October 2, 2017 to receive a total of 61,323 shares. In addition, Chief Development Officer Dr. Malte Peters received 9,505 MorphoSys shares valued at € 351,305 in March 2017. As a result of these transactions, MorphoSys held 331,493 treasury shares as of June 30, 2017 (December 31, 2016: 396,010 treasury shares).

ADDITIONAL PAID-IN CAPITAL

On June 30, 2017, additional paid-in capital amounted to € 434,201,825 (December 31, 2016: € 428,361,175). The increase totaling € 5,840,650 resulted mainly from the exercise of convertible bonds

in the amount of € 5,120,223 and from the allocation of personnel expenses from share-based payments totaling € 3,104,976. This was partly compensated for by the decline from the reclassification of own shares related to the allocation of shares in the amount of € 2,033,244 from the 2013 long-term incentive plan and the allocation of own shares to Dr. Peters in the amount of € 351,305.

REVALUATION RESERVE

On June 30, 2017, the revaluation reserve amounted to € -353,856 (December 31, 2016: € 136,101). The decline of € 489,957 resulted from a change in the unrealized gains and losses from available-for-sale securities and bonds and a change in unrealized losses from cash flow hedges.

6 Changes in Stock Options, Convertible Bonds, and Performance Shares

In the first six months of 2017, there were no convertible bonds issued to the Management Board, Senior Management Group or to the employees.

In April 2017 under the 2017 Stock Option Plan (SOP Plan), a total of 81,157 stock options were issued to the Management Board, the Senior Management Group and Company employees who are not part of the Senior Management Group. Further details can be found in Note 7.

In April 2017 under the 2017 long-term incentive plan (LTI Plan), a total of 31,549 performance shares were issued to the Management Board, the Senior Management Group and Company employees who are not part of the Senior Management Group. Further details can be found in Note 8.

After the expiration of the four-year vesting period, the Management Board, the Senior Management Group and former members of the Senior Management Group who have since left the Company were granted a six-month option to receive a total of 61,323 shares from the 2013 LTI program. As of June 30, 2017, a total of 55,012 shares from the 2013 LTI program were transferred to the program's beneficiaries.

After the expiration of the four-year vesting period, the Management Board and the Senior Management Group have the option until March 31, 2020 to exercise a total of 436,585 convertible bonds from the 2013 program. As of June 30, 2017, a total of 166,340 conversion rights from this program had been exercised, thereby creating 166,340 shares.

7 Stock Options

On April 1, 2017, MorphoSys established a stock option plan (SOP plan) for the Management Board, the Senior Management Group and Company employees who are not part of the Senior Management Group. According to IFRS 2, the program is considered a share-based compensation program with settlement in equity instruments and is accounting for accordingly. The grant date was April 1, 2017 and the vesting/performance period is four years. If the predefined performance criteria for the respective period are fully met, 25% of the stock options will vest in each year of the four-year vesting period. The number of stock options vested per year is calculated based on the performance criteria of the absolute and the relative price performance of MorphoSys's shares versus the performance of the NASDAQ Biotech Index and the TecDAX Index. The performance criteria can be achieved annually up

to a maximum of 200%. If less than 0% of the predefined performance criteria are achieved in one year, “0” shares will become vested (entitlement) for that year. The right to exercise a stock option, however, occurs only at the end of the four-year vesting/performance period.

MorphoSys reserves the right to settle the exercise of stock options through newly created shares from Conditional Capital 2016-III, through the issue of own shares or by payment in cash. The exercise period is three years, following the end of the four-year vesting/performance period.

If a member of the Management Board ceases to hold an office at the MorphoSys Group through termination (or the Management Board member terminates the employment contract), resignation, death, injury, disability or the attainment of retirement age (receipt of a standard retirement pension, early-retirement pension or disability pension, as long as the requirements for the disability pension entitlement are met) or under other circumstances subject to the Supervisory Board’s discretion, the Management Board member (or the member’s heirs) is entitled to a precise daily pro rata number of stock options.

If a member of the Management Board ceases to hold an office at the MorphoSys Group for good reason as defined by Sec. 626 Para. 2 of the German Civil Code (BGB), all unexercised stock options will be forfeited without any entitlement to compensation.

If a change of control occurs during the four-year vesting period, all stock options will be considered fully vested. In this case, the right to exercise the stock options occurs only at the end of the four-year vesting period.

A total of 81,157 stock options were granted to beneficiaries as of April 1, 2017 consisting of 40,319 stock options for the Management Board (further details can be found in the table “Stock Options” in Note 10 “Directors’ Dealings”), 37,660 stock options for the Senior Management Group and 3,178 stock options for Company employees who are not part of the Senior Management Group. The stated number of stock options granted is based on 100% target achievement. The fair value of the stock options granted on the grant date (April 1, 2017) was € 21.41 per stock option. From the grant date until June 30, 2017, no beneficiary has left MorphoSys, and no stock options have been forfeited. In order to calculate the amount of personnel expenses resulting from share-based payments, it was assumed for the 2017 Stock Option Program that two beneficiaries would leave the Company during the four-year period.

The fair value of the stock options from the 2017 Stock Option Program was determined by means of a Monte Carlo simulation. The expected volatility is based on the development of the share volatility over the past four years. Furthermore, the fair value calculation gave equal consideration to the performance criteria of the absolute and relative share price performance of the MorphoSys share compared to both the development of the NASDAQ Biotech Index and the TecDAX Index. Each of these programs’ parameters is listed in the table below.

	April 2017 Stock Option Plan
Share Price on Grant Date in €	55.07
Strike Price in €	55.52
Expected Volatility of the MorphoSys share in %	37.49
Expected Volatility of the NASDAQ Biotech Index in %	25.07
Expected Volatility of the TecDAX Index in %	16.94
Performance Term of Program in Years	4.0
Dividend Yield in %	n/a
Risk-free Interest Rate in %	between 0.03 and 0.23

8 Long-Term Incentive Program

On April 1, 2017, MorphoSys established an additional long-term incentive plan (LTI plan) for the Management Board, Senior Management Group and Company employees who are not part of the Senior Management Group. According to IFRS 2, this program is considered a share-based payment program with settlement in equity instruments and is accounted for accordingly. The LTI plan is a performance-based share plan paid out in ordinary shares of MorphoSys AG when predefined performance criteria have been achieved. The grant date was April 1, 2017, and the vesting/performance period is four years. If the predefined performance criteria for the respective period are fully met, 25% of the performance shares will vest in each year of the four-year vesting period. The number of stock options vested per year is calculated based on the performance criteria of the absolute and the relative price performance of MorphoSys's shares versus the performance of the NASDAQ Biotech Index and the TecDAX Index. The performance criteria can be achieved up to a maximum of 300% in any one year but may not exceed 200% for the entire four-year period. If less than 0% of the predefined performance criteria are achieved in one year, "0" shares will be become vested (entitlement) for that year. In any case, the maximum pay-out at the end of the four-year period is limited by a factor determined by the Group, which generally amounts to "1". In justified cases, the Supervisory Board may, however, set this factor at its discretion between "0" and "2"; for example, if the level of payment seems unreasonable in view of the Company's general development. The right to receive a certain allocation of shares under the LTI plan, however, occurs only at the end of the four-year vesting period.

If the number of repurchased shares is insufficient to service the LTI plan, MorphoSys reserves the right to pay a certain amount of the LTI plan in cash equal to the amount of the performance shares at the end of the vesting period provided the cash amount does not exceed 200% of the fair value of the performance shares on the grant date.

If a member of the Management Board ceases to hold an office at the MorphoSys Group through termination (or the Management Board member terminates the employment contract), resignation, death, injury, disability or the attainment of retirement age (receipt of a standard retirement pension, early-retirement pension or disability pension, as long as the requirements for the disability pension entitlement are met) or under other circumstances subject to the Supervisory Board's discretion, the Management Board member (or the member's heirs) is entitled to a precise daily pro rata number of performance shares.

If a member of the Management Board ceases to hold an office at the MorphoSys Group for good reason as defined by Sec. 626 Para. 2 of the German Civil Code (BGB) and/or Sec. 84 Para 3 AktG, the beneficiary is no longer entitled to an allocation of performance shares.

If a change of control occurs during the four-year vesting period, all performance shares will be considered fully vested. In this case, the right to receive a certain allocation of shares under the LTI plan occurs only at the end of the four-year vesting period.

MorphoSys granted the beneficiaries a total of 31,549 of its own shares as of April 1, 2017 consisting of 15,675 shares for the Management Board (further details can be found in the table "Performance Shares" in Note 10 "Directors' Dealings"), 14,640 shares for the Senior Management Group and 1,234 shares for Company employees who are not part of the Senior Management Group. The stated number of shares granted is based on 100% target achievement and a factor of "1". The fair value of the performance shares granted on the grant date (April 1, 2017) was € 70.52 per share. From the grant date until June 30, 2017, no beneficiary has left MorphoSys, and no performance shares have been forfeited. In order to calculate the amount of personnel expenses resulting from share-based payments, it was assumed for the 2017 LTI plan that two beneficiaries would leave the Company during the four-year period.

The fair value of the performance shares from the 2017 LTI plan was determined by means of a Monte Carlo simulation. The expected volatility is based on the development of the share volatility over the past four years. Furthermore, the fair value calculation gave equal consideration to the performance criteria of the absolute and relative share price performance of the MorphoSys share compared to both the development of the NASDAQ Biotech Index and the TecDAX Index. Each of these programs' parameters is listed in the table below.

	April 2017 Long-Term Incentive Program
Share Price on Grant Date in €	55.07
Strike Price in €	n/a
Expected Volatility of the MorphoSys share in %	37.49
Expected Volatility of the NASDAQ Biotech Index in %	25.07
Expected Volatility of the TecDAX Index in %	16.94
Performance Term of Program in Years	4.0
Dividend Yield in %	n/a
Risk-free Interest Rate in %	between 0.03 and 0.23

9 Personnel Expenses Resulting from Share-Based Payments

In the first six months of 2017, personnel expenses resulting from share-based payments totaling € 3.1 million were recognized in the income statement (Q1-Q2 2016: € 1.3 million). In 2017, this amount solely resulted from share-based payments settled with equity instruments, of which an amount of € 2.0 million was related to personnel expenses associated with LTI programs (Q1-Q2 2016:

€ 1.1 million). This amount also contains an adjustment for previously recognized personnel expenses in the amount of € 1.0 million for the 2013 LTI program based on a company factor of 1.57 determined by the Supervisory Board. Previously, personnel expenses for the 2013 LTI program were determined by using a company factor of 1.0. A personnel expense of € 0.5 million was recognized for the transfer of 9,505 of the Company's own shares to Chief Development Officer Dr. Malte Peters. The personnel expense for stock options amounted to € 0.3 million, and the personnel expense for convertible bonds was also € 0.3 million.

10 Directors' Dealings

The Group engages in business relationships with its Management Board and Supervisory Board members as related parties. In addition to cash compensation, the Company has granted stock options, convertible bonds and performance shares to members of the Management Board.

The tables below show the shares, stock options, convertible bonds and performance shares held by the members of the Management Board and the Supervisory Board, as well as the changes in the members' ownership in the first six months of 2017.

SHARES

	01/01/2017	Additions	Sales	06/30/2017
Management Board				
Dr. Simon Moroney	514,214	12,024	0	526,238
Jens Holstein	7,000	38,235	34,235	11,000
Dr. Malte Peters [1]	-	9,505	0	9,505
Dr. Marlies Sproll	57,512	8,235	0	65,747
Dr. Markus Enzelberger [2]	-	0	0	4,906
Dr. Arndt Schottelius [3]	10,397	0	0	-
Total	**589,123**	**67,999**	**34,235**	**617,396**
Supervisory Board				
Dr. Gerald Möller	11,000	0	0	11,000
Dr. Frank Morich	1,000	0	0	1,000
Dr. Marc Cluzel	500	0	0	500
Krisja Vermeylen [4]	-	350	0	350
Wendy Johnson	500	0	0	500
Klaus Kühn	0	0	0	0
Karin Eastham [5]	2,000	0	0	-
Total	**15,000**	**350**	**0**	**13,350**

STOCK OPTIONS

	01/01/2017	Additions	Forfeitures	Exercises	06/30/2017
Management Board					
Dr. Simon Moroney	0	12,511	0	0	12,511
Jens Holstein	0	8,197	0	0	8,197
Dr. Malte Peters [1]	-	8,197	0	0	8,197
Dr. Marlies Sproll	0	6,148	0	0	6,148
Dr. Markus Enzelberger [2]	-	5,266	0	0	5,266
Total	**0**	**40,319**	**0**	**0**	**40,319**

CONVERTIBLE BONDS

	01/01/2017	Additions	Forfeitures	Exercises	06/30/2017
Management Board					
Dr. Simon Moroney	88,386	0	0	0	88,386
Jens Holstein	90,537	0	0	30,000	60,537
Dr. Malte Peters [1]	-	0	0	0	0
Dr. Marlies Sproll	60,537	0	0	0	60,537
Dr. Markus Enzelberger [2]	-	0	0	0	0
Dr. Arndt Schottelius [3]	60,537	0	0	0	-
Total	**299,997**	**0**	**0**	**30,000**	**209,460**

PERFORMANCE SHARES

	01/01/2017	Additions	Forfeitures	Allocations	06/30/2017
Management Board					
Dr. Simon Moroney	37,220	4,864	0	12,024	30,060
Jens Holstein	25,134	3,187	0	8,235	20,086
Dr. Malte Peters [1]	-	3,187	0	0	3,187
Dr. Marlies Sproll	25,134	2,390	0	8,235	19,289
Dr. Markus Enzelberger [2]	-	2,047	0	0	5,987
Dr. Arndt Schottelius [3]	25,134	0	0	0	-
Total	**112,622**	**15,675**	**0**	**28,494**	**78,609**

[1] Dr. Malte Peters joined the Management Board of MorphoSys AG on March 1, 2017.

[2] Dr. Markus Enzelberger joined the Management Board of MorphoSys AG on April 15, 2017. Prior to his appointment as member of the Management Board 4,906 shares have been held by Dr. Markus Enzelberger. Under the Long-Term Incentive Programs 2014 to 2016, Dr. Markus Enzelberger was granted 3,940 performance shares as a member of the Senior Management prior to his appointment as member of the Management Board.

[3] Dr. Arndt Schottelius left the Management Board of MorphoSys AG on February 28, 2017. Changes in the number of shares, convertible bonds and performances shares after resignation from the Management Board of MorphoSys AG are not presented in the tables.

[4] Krisja Vermeylen joined the Supervisory Board of MorphoSys AG on May 17, 2017.

[5] Karin Eastham left the Supervisory Board of MorphoSys AG on May 17, 2017. Changes in the number of shares after resignation from the Supervisory Board of MorphoSys AG are not presented in the tables.

The Supervisory Board of MorphoSys AG does not hold any stock options, convertible bonds or performance shares.

11 Transactions with Related Parties

Excluding the transactions described under "Directors' Dealings", there were no further transactions carried out with related parties in the first six months of 2017.

As of June 30, 2017, the Senior Management Group held 37,660 stock options (December 31, 2016: 0 stock options), 60,785 convertible bonds (December 31, 2016: 136,588 convertible bonds) and 74,585 performance shares (December 31, 2016: 82,143 shares), which were granted by the Company. A new stock option program and a new performance share program were issued to the Senior Management Group during the first six months of 2017 (please see Note 7). On April 1, 2017, the Senior Management Group was allocated 21,248 shares from the 2013 LTI program with the option to receive these shares within a six-month period. As of June 30, 2017, the Senior Management Group had exercised options to receive 16,636 shares.

12 Subsequent Events

On July 13, 2017 MorphoSys announced that its licensee Janssen Biotech, Inc. (Janssen), has reported that the U.S. Food and Drug Administration (FDA) has approved Tremfya™ (guselkumab) for the treatment of patients with moderate to severe plaque psoriasis. Tremfya™ is a fully human anti-IL-23 monoclonal antibody developed by Janssen and was generated utilizing MorphoSys's proprietary HuCAL antibody library technology. MorphoSys will receive a milestone payment from Janssen in connection with the BLA approval. The U.S. launch of the drug is expected to happen shortly.

Apart from the above, there were no events after the reporting date of June 30, 2017 that require reporting.

Responsibility Statement

"To the best of our knowledge, and in accordance with the applicable accounting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the Group's net assets, financial position and results of operations, and the group interim management report provides a fair view of the development and performance of the business and the position of the Group together with a description of the principal opportunities and risks associated with the Group's expected development during the remainder of the financial year."

Planegg, July 18, 2017

Dr. Simon Moroney
Chief Executive Officer

Jens Holstein
Chief Financial Officer

Dr. Malte Peters
Chief Development Officer

Dr. Marlies Sproll
Chief Scientific Officer

Dr. Markus Enzelberger
Chief Scientific Officer

Auditor's Review Report

TO MORPHOSYS AG, PLANEGG:

We have reviewed the condensed consolidated interim financial statements – comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in stockholders' equity, consolidated statement of cash flows and notes to the interim consolidated financial statements - and the interim group management report of MorphoSys AG for the period from January 1 to June 30, 2017, which are part of the half-year financial report pursuant to Article 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Management Board. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

Based on our review, no matters have come to our attention that lead us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Munich, July 19, 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer
Wirtschaftsprüfer (German Public Auditor)

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Wirtschaftsprüfer (German Public Auditor)

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This half-year report is also available in German and may be downloaded from the Company's website (PDF).

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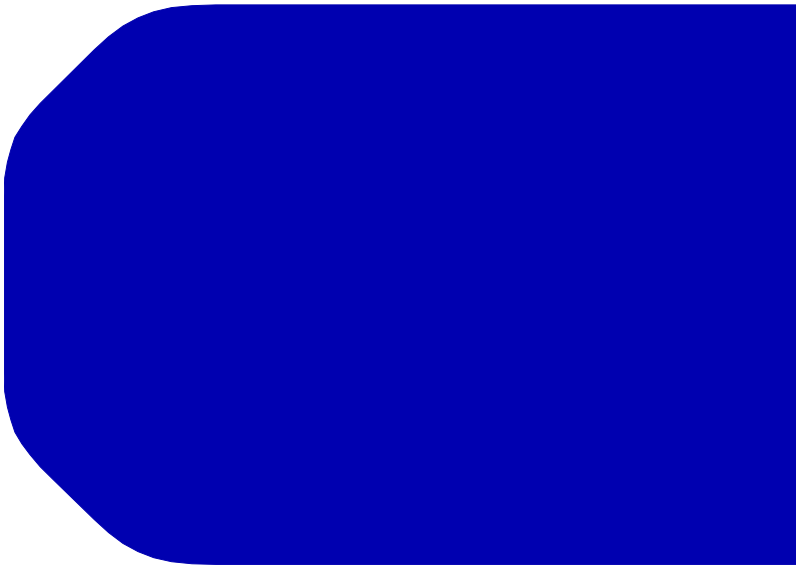
Financial Calendar 2017

MARCH 9, 2017	PUBLICATION OF 2016 YEAR-END RESULTS
MAY 3, 2017	PUBLICATION OF FIRST QUARTER INTERIM STATEMENT 2017
MAY 17, 2017	2017 ANNUAL GENERAL MEETING IN MUNICH
AUGUST 3, 2017	PUBLICATION OF 2017 HALF-YEAR REPORT
NOVEMBER 7, 2017	PUBLICATION OF THIRD QUARTER INTERIM STATEMENT 2017



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