Half-Year Report

January – June 2016

morphosys

Engineering the Medicines of Tomorrow

Contents

MorphoSys Group:
Half-Year Report January – June 2016

Summary of the Second Quarter of 2016

FINANCIAL RESULTS FOR THE FIRST HALF OF 2016

- Group revenue in the first half of 2016 totaled € 24.3 million and EBIT amounted to € –19.2 million. The previous year's figures (revenue H1/2015: € 82.6 million; EBIT H1/2015: € 46.1 million) each included extraordinary effects in the amount of approximately € 59 million.
- The Group's liquidity position on June 30, 2016 equaled € 279.7 million (December 31, 2015: € 298.4 million).
- The Company confirms its 2016 full-year guidance for revenue in the range of € 47 million to € 52 million and EBIT between € –58 million and € –68 million.

OPERATING HIGHLIGHTS FOR THE SECOND QUARTER OF 2016

- In early June 2016, 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. MOR202 in combination with immunomodulatory drugs showed a good response in heavily pretreated patients. Two complete responses were shown at a dose of 8 mg/kg in combination with pomalidomide. In the meantime, response rates further deepened under ongoing treatment. The next higher and final treatment cohort with a dose of 16 mg/kg plus pomalidomide has been started meanwhile.
- MorphoSys also presented updated clinical data on the safety and efficacy of MOR208 in non-Hodgkin's lymphoma (NHL) at the 2016 ASCO Annual Meeting. Patients with malignant B cell lymphoma (DLBCL) and indolent NHL showed long-lasting responses to the therapy up to 26 months.
- In early April 2016, MorphoSys announced the initiation of a phase 2 clinical combination trial of MOR208 with the cancer drug lenalidomide (Revlimid®) in patients suffering from DLBCL.
- In mid-April, MorphoSys announced its partner GSK had initiated a phase 2 clinical study with GSK3196165 (formerly known as MOR103) in patients with inflammatory hand osteoarthritis.
- Also in April 2016, MorphoSys announced the initiation of a phase 1 trial of MOR106, which is being co-developed with Galapagos against inflammatory diseases.
- In May 2016, MorphoSys and the University of Texas MD Anderson Cancer Center announced a strategic alliance for the discovery and development of therapeutic antibodies against cancer.
- On April 21, 2016, MorphoSys announced that its partner Novartis had confirmed that a phase 2b/3 study examining bimagrumab (BYM338) in sporadic Inclusion Body Myositis (sIBM) did not meet its primary endpoint. Clinical development will continue in sarcopenia and muscular atrophy after hip operations.
- On April 4, 2016, MorphoSys announced it had filed a lawsuit with the United States (U.S.) District Court of Delaware against Janssen Biotech and Genmab for patent infringement. MorphoSys is seeking redress for the infringing manufacture, use and sale of Janssen's and Genmab's daratumumab, an antibody targeting CD38.
- In early July, MorphoSys announced the receipt of a milestone payment from Novartis recorded in the second quarter of 2016. The payment was triggered by the initiation of a phase 1 clinical study of a novel HuCAL antibody for the prevention of thrombosis.
- At the end of the second quarter of 2016, MorphoSys's product pipeline comprised a total of 104 therapeutic antibodies, 27 of which are in clinical development.

MORPHOSYS PRODUCT PIPELINE AS OF JUNE 30, 2016

Program/Partner	Indication	Most advanced development stage: Discovery	Preclinic	Phase 1	Phase 2	Phase 3
Guselkumab (CNTO1959), Janssen	Psoriasis					
Gantenerumab, Roche	Alzheimer's disease					
MOR208	ALL, CLL, NHL					
MOR202	Multiple myeloma					
MOR103/GSK3196165, GSK	Inflammation					
Anetumab Ravtansine (BAY94-9343), Bayer	Solid tumors					
Bimagrumab (BYM338), Novartis	Musculoskeletal diseases					
BHQ880, Novartis	Multiple myeloma					
BPS804, Mereo/Novartis	Brittle bone syndrome					
CNTO3157, Janssen	Inflammation					
CNTO6785, Janssen	Inflammation					
Elgemtumab (LJM716), Novartis	Cancer					
Tarextumab (OMP-59R5), OncoMed	Solid tumors					
Tesidolumab (LFG316), Novartis	Eye diseases					
VAY736, Novartis	Inflammation					
MOR209/ES414, Emergent	Prostate cancer					
MOR106, Galapagos	Inflammation					
BAY1093884, Bayer	Hemophilia					
BI-836845, BI	Solid tumors					
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					
Utomilumab (PF-05082566), Pfizer	Solid tumors					
Vantictumab (OMP-18R5), OncoMed	Solid tumors					
MOR107 (LP2)	Fibrosis					
Immuno-oncology program, Immatics	Cancer				90 Partnered Programs	
Immuno-oncology program, Merck	Cancer				13 MOR Programs	
6 MOR programs	Various				1 Outlicensed Program	

In addition, 23 partnered programs in preclinic, and 45 partnered programs in discovery

Interim Group Management Report: January 1 – June 30, 2016

Business Environment and Activities

ECONOMIC DEVELOPMENT

According to the International Monetary Fund (IMF), the outlook for the global economy has continued to slightly deteriorate. Global economic output in the current year is expected to rise just 3.2% and another 3.5% in the following year. In January, the IMF still expected global growth to reach 3.4% in 2016 and 3.6% in 2017. The main factors causing the IMF to cut forecasts were problems in the emerging and developing countries as well as political uncertainties and growing risks in the financial markets. Both the Eurozone and Germany are anticipated to report moderate growth of 1.5% in the current year with Europe's growth expected to be plagued by continued high unemployment and low investments. The USA, on the other hand, is projected to report comparatively robust growth of 2.4%.

Global financial markets were extremely volatile during the first half of 2016. Concerns at the prospect of an impending global economic downturn and political uncertainties such as Great Britain's possible exit from the European Union ("Brexit"), populist sentiment in the US presidential campaign and the refugee crisis have all taken a large toll on the world's stock markets. These factors also had a pronounced impact on the biotechnology sector, which relies strongly on the capital markets to fund research and development.

On June 23, 2016, shortly before the end of the reporting period, the British voted in favor of leaving the European Union. The immediate outcome of this vote was evident the day following the decision with a massive plunge in global stock prices.

IMPLICATIONS FOR MORPHOSYS

The economic developments described above had only a limited impact on MorphoSys's commercial development in the first six months of 2016.

The volatility in the capital markets caused by the "Brexit" decision, among others, had a pronounced impact on the biotechnology sector and, consequently, on the MorphoSys share price.

MorphoSys does not expect the "Brexit" decision to lead to any noticeable changes in the Company's day-to-day business. It does not have any operations in Great Britain and does not currently generate any revenue in British pound sterling. MorphoSys also does not anticipate any immediate impact on its clinical studies currently being conducted in Great Britain; however the Company believes it is still too early to make a statement on any potential long-term impact of the "Brexit" decision.

SECTOR OVERVIEW

The world's leading medical conference for oncology, the 2016 American Society of Clinical Oncology (ASCO) Annual Meeting was held from June 3-7 in Chicago, Illinois, with more than 35,000 participants. MorphoSys presented updated clinical data for two proprietary compounds and results were published from several partnered programs being developed by Bayer Healthcare, Boehringer Ingelheim, OncoMed and Pfizer.

In the first half of 2016 there were 17 biotech IPOs in the US which marks a significant decline compared to the first half of 2015. The 2015 IPO companies raised a total of US$ 3 billion, while in the first six months of 2016 approximately US$ 1.1 billion was raised.

BUSINESS PERFORMANCE

MorphoSys's business performance during the first half of 2016 was in line with the Company's expectations despite the announcement from Novartis in April that a phase 3 study examining bimagrumab in sporadic Inclusion Body Myositis (sIBM) did not meet its primary endpoint. All three phase 3 studies in sIBM were concluded. Clinical studies in sarcopenia and muscular atrophy after hip operations continue as planned.

Further positive clinical results from the proprietary cancer programs MOR208 and MOR202 were presented in June at both the American Society of Clinical Oncology (ASCO) Annual Meeting and the 21st Congress of the European Hematology Association (EHA). The initiation of the MOR106 program, which is being co-developed with Galapagos against inflammatory diseases, marked the Company's 26th clinical development program.

At the end of the second quarter of 2016, MorphoSys's product pipeline comprised a total of 104 partnered and proprietary programs, 27 of which were in clinical development.

As of the publication of this report, MorphoSys remains well on track to reach its business and financial targets for the full year.

STRATEGY AND GROUP MANAGEMENT

MorphoSys did not change its strategy or the Group's management during the first six months of 2016. A full description of the strategy and the Group's management can be found on page 19 of the 2015 Annual Report.

Research and Development and Operating Business Development

PROPRIETARY DEVELOPMENT

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

- the hemato-oncology programs MOR208 and MOR202, for which MorphoSys holds worldwide commercial rights and has published clinical data in June 2016;
- the prostate cancer program MOR209/ES414, which is being co-developed with Emergent BioSolutions; and
- MOR106, which is being co-developed with Galapagos for the treatment of inflammatory diseases and advanced to phase 1 of its clinical development in April 2016.

MOR103/GSK3196165, which was out-licensed to GlaxoSmithKline (GSK), is currently in clinical trials at MorphoSys's partner GSK. MorphoSys also plans to initiate clinical studies of MOR107 against fibrotic diseases in 2016.

MOR208 is an Fc-enhanced antibody targeting CD19 being clinically developed for the treatment of B cell malignancies.

In June 2016, the Company presented updated data at the American Society of Clinical Oncology (ASCO) Annual Meeting and the 21st Congress of the European Hematology Association (EHA) from a phase 2a clinical study of MOR208 in 92 patients with different subtypes of relapsed or refractory non-Hodgkin's lymphoma (NHL). The study included patients with diffuse large B cell lymphoma (DLBCL), mantle cell lymphoma (MCL), indolent NHL (iNHL) and follicular lymphoma (FL). A subgroup analysis showed particularly long responses to the therapy in DLBCL and iNHL patients. Nine patients treated with MOR208 are still in remission (7 complete responses (CR) and 2 partial responses (PR)), with the longest responses currently ongoing for 26 months. The median duration of response (according to Kaplan-Meier methods) was 20 months in the study's DLBCL patients. Based on evaluable patients, the overall response rate (ORR) was 36% in DLBCL patients and 33% in iNHL patients. MOR208 showed a disease control rate (CR + PR + SD (stable disease)) of 40% in DLBCL and 73% in iNHL patients. Updated data for patients treated in the study showed a progression-free survival (PFS) rate of 40% after 12 months in both DLBCL and iNHL patients. Patient evaluation and data analysis are still ongoing.

Based on the results obtained to date, MorphoSys initiated a phase 2 trial for the further development of MOR208 in combination with other cancer drugs for B cell leukemias. A study initiated in April 2016 is evaluating MOR208 in combination with lenalidomide in 80 patients suffering from relapsed or refractory DLBCL (L-MIND study). The study is designed as an open-label, single-arm study with the primary endpoint being the overall response rate (ORR) with multiple secondary endpoints including progression-free survival (PFS), overall survival (OS) and time to progression (TTP).

MorphoSys also plans to initiate the safety part of a study in 2016 to evaluate MOR208 in combination with the chemotherapy agent bendamustine in DLBCL patients (B-MIND study). This study is expected to be transitioned into a pivotal study in 2017. At the 2016 ASCO Annual Meeting, MorphoSys presented the trial design of a planned phase 2 study (COSMOS study) to evaluate MOR208 in combination with idelalisib in chronic lymphocytic leukemia (CLL) and small lymphocytic lymphoma (SLL) in patients no longer responding to or no longer tolerating Bruton's tyrosine kinase (BTK) inhibitor therapy (e.g., ibrutinib). After the discontinuation of several combination trials of idelalisib with other compounds, this planned trial is currently under review and discussions with regulatory authorities are ongoing.

A case study published in the Journal of Medical Case Reports shows that third-line monotherapy with the anti-CD19 antibody MOR208 resulted in an ongoing complete response (CR) of currently more than 26 months' duration in a patient suffering from a morphological variant of diffuse large B cell lymphoma (DLBCL). DLBCL is an aggressive type of blood cancer and the most common form of non-Hodgkin's lymphoma (NHL) in which B cells from the body's immune system become malignant. The patient's quality of life and performance status remained high under MOR208 therapy (WHO grade 0, Karnofsky score 100%). Before entering the study, the patient had undergone two prior lines of treatment, both including chemotherapy in combination with the anti-CD20 therapy rituximab. The patient experienced an early relapse after both treatments and had a very dismal prognosis prior to treatment with MOR208.

MOR202 is a fully human HuCAL antibody targeting CD38, a highly expressed and validated target in multiple myeloma.

In an ongoing clinical phase 1/2a dose escalation study, MOR202 is being administered alone and in combination with the immunomodulatory drugs (IMiDs) lenalidomide (Len) and pomalidomide (Pom) in heavily pretreated patients with relapsed/refractory multiple myeloma (MM). All patients also receive dexamethasone (Dex). The Company presented updated data from these studies in June 2016 at the ASCO Annual Meeting and the 21st Congress of the EHA. New and deeper responses have been reported with MOR202 in combination with IMiDs since the last published data in December 2015. In terms of safety, MOR202 could be administered to all patients at a dose of 16 mg/kg in a very short 2-hour infusion time with infusion-related reactions limited to grades 1 and 2 occurring in only 14% of patients. In terms of efficacy, MOR202 showed remarkable results in heavily pretreated patients at a dose of 8 mg/kg in combination with Pom/Dex. Of the five patients treated in this dose cohort, two reached a complete response (CR) and two a minor response (MR) after only a short treatment period. In the meantime, response rates further deepened under ongoing treatment. Of the four patients treated with 8 mg/kg MOR202 in combination with Len/Dex, two patients reached a partial response (PR) and one a very good partial response (VGPR). The dose escalation study is currently proceeding as planned with MOR202 currently being evaluated at the expected highest dose of 16 mg/kg in combination with Pom/Dex and Len/Dex.

Moreover, first biomarker data suggests that CD38 expression of the antibody on MM patient bone marrow plasma cells was preserved during MOR202 therapy compared with a down-regulation of CD38 as seen with competing products. If this finding is confirmed during the further course of the study, it could represent another important differentiating factor versus competing products on the market.

MOR209/ES414 is currently in a phase 1 study in patients with metastatic castration-resistant prostate cancer. After examination of the initial clinical data, it was decided to adjust the dosing regimen and administration of MOR209/ES414. The protocol has been amended and clinical development will continue in 2016.

In April 2016, MorphoSys announced that the first program from its strategic alliance with Galapagos had advanced into clinical development. **MOR106** is a fully human antibody against inflammatory diseases being co-developed by Galapagos and MorphoSys. MOR106 is the first antibody generated from the Company's proprietary Ylanthia technology that has entered clinical development. The phase 1 trial in healthy volunteers evaluates the safety, tolerability and pharmacokinetic profile of the therapeutic compound. The study is designed to enable the subsequent treatment of patients depending on the outcome of the study in healthy volunteers.

The HuCAL antibody **MOR103/GSK3196165** was out-licensed to GlaxoSmithKline (GSK) and is currently in a phase 2b study in patients suffering from rheumatoid arthritis. In mid-April, GSK announced the initiation of a phase 2 clinical study to investigate the safety and efficacy of MOR103/GSK3196165 in patients with inflammatory hand osteoarthritis.

In addition to the activities related to clinical development candidates, MorphoSys has also made further progress in its research activities to expand its proprietary pipeline.

In May 2016, MorphoSys and the University of Texas MD Anderson Cancer Center announced a long-term strategic alliance. With MorphoSys applying its Ylanthia technology platform, the partners will

work together to identify, validate and develop novel anti-cancer antibodies through to clinical proof of concept by researching numerous targets in a variety of oncology indications. MorphoSys and MD Anderson will conduct early clinical studies of therapeutic antibody candidates after which MorphoSys has the option to continue developing selected antibodies in later stages of clinical development for its own proprietary pipeline.

At the end of the second quarter of 2016, the Company's portfolio in its Proprietary Development segment consisted of five antibodies in clinical development and nine in either drug discovery or preclinical development.

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.

On April 21, 2016, MorphoSys announced that its partner Novartis had confirmed that a phase 2b/3 study examining bimagrumab (BYM338) in sporadic Inclusion Body Myositis (sIBM) failed to meet its primary endpoint. All phase 3 studies in sIBM were concluded. Clinical studies with the antibody, including three phase 2 studies in sarcopenia, a form of age-related muscle loss; and a phase 2 study of muscular atrophy after hip operations, continue as planned.

In early July, MorphoSys announced the receipt of a milestone payment from Novartis. Revenue was recognized in the second quarter of 2016. The payment was triggered by the initiation of a phase 1 clinical study of a novel HuCAL antibody for the prevention of thrombosis. This program marks Novartis' twelfth therapeutic antibody based on MorphoSys technology that has entered clinical development.

At the 2016 ASCO Annual Meeting, several of MorphoSys's partners presented data for HuCAL antibodies currently in clinical development:

- Bayer presented an ongoing pivotal phase 2 study of mesothelioma with the HuCAL antibody-drug conjugate anetumab ravtansine.
- Bayer also presented data from a phase 1 study of anetumab ravtansine in patients with solid tumors.
- Pfizer presented phase 1 data from its study of the anti-4-1BB antibody PF-05082566 (utomilumab) in combination with pembrolizumab in patients with solid tumors.
- Boehringer Ingelheim presented first phase 1b data from a phase 1b/2 study of BI-836845 in patients with breast cancer.
- OncoMed published data from a phase 1b study of tarextumab in small cell lung cancer.
- OncoMed also published data from a phase 1b study of vantictumab in breast cancer.

In the course of the first six months of 2016, the number of therapeutic antibody programs in the Partnered Discovery segment grew to a total of 90 (December 31, 2015: 89), 22 of which were in clinical development, 23 in preclinical development and 45 in the discovery phase.

Intellectual Property

In the first six months of 2016, MorphoSys continued to consolidate and expand the patents protecting its development programs and growing technology portfolio – both of which represent key value drivers for the Company.

On April 4, 2016, MorphoSys announced it had filed a lawsuit with the United States (U.S.) District Court of Delaware against Janssen Biotech and Genmab for patent infringement. With this complaint, MorphoSys seeks redress for the infringing manufacture, use and sale of Janssen's and Genmab's daratumumab, an antibody targeting CD38.

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, 2016, the MorphoSys Group had 356 employees (December 31, 2015: 365). In the first six months of 2016, the number of employees at the MorphoSys Group averaged 361 (H1/2015: 350).

Financial Analysis

Revenues

Group revenues declined to € 24.3 million (H1/2015: € 82.6 million) in comparison to the same period in the previous year. Revenues in the comparable period of 2015 contained a one-off effect in the amount of approximately € 59 million from the termination of the partnership with Celgene to co-develop and co-promote MOR202.

Success-based payments amounted to 8%, or € 2.0 million, (H1/2015: 2%, or € 2.0 million) of total revenues.

From a geographical standpoint, MorphoSys generated 8%, or € 2.0 million, of its commercial revenues with biotechnology and pharmaceutical companies and non-profit organizations headquartered in North America and 92%, or € 22.3 million, with partners primarily located in Europe and Asia. In the comparable period of the previous year, these figures were 74% and 26%, respectively.

Approximately 95% of the Group's revenues were generated with partners Novartis, Pfizer and Bayer (H1/2015: 98% generated with Celgene, Novartis and Janssen Biotech).

SEGMENT PROPRIETARY DEVELOPMENT

In the first half of 2016, the Proprietary Development segment generated revenues of € 0.3 million (H1/2015: € 59.6 million). Revenues in the comparable 2015 period resulted mainly from the termination of co-development activities with Celgene at the end of the first quarter.

SEGMENT PARTNERED DISCOVERY

The revenues of the Partnered Discovery segment included € 21.9 million in funded research and license fees (H1/2015: € 21.0 million) as well as € 2.0 million in success-based payments (H1/2015: € 2.0 million).

Operating Expenses

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses in the first six months of 2016 increased as anticipated to € 36.7 million (H1/2015: € 33.9 million) as a result of ongoing projects. Expenses in this area were largely driven by fees for external laboratory services of € 15.1 million (H1/2015: € 12.6 million) and personnel expenses of € 13.3 million (H1/2015: € 12.5 million).

DISTRIBUTION OF R&D EXPENSES (IN MILLION €)

	H1/2016	H1/2015
R&D Expenses on behalf of Partners	8.4	8.6
Proprietary Development Expenses	27.4	24.0
Technology Development Expenses	0.9	1.3
R&D Total	**36.7**	**33.9**

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses decreased slightly compared to the same period in the previous year and totaled € 6.9 million (H1/2015: € 7.0 million). This item mainly consisted of personnel expenses in the amount of € 4.9 million (H1/2015: € 5.0 million) and expenses for external services of € 1.1 million (H1/2015: € 1.2 million).

Financial Position

LIQUIDITY

On June 30, 2016, the Company's liquidity position amounted to € 279.7 million, compared to € 298.4 million on December 31, 2015.

Liquidity is reflected in the balance sheet items "cash and cash equivalents", "available-for-sale financial assets", "bonds available-for-sale" and the 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 2016 and the repurchase of shares for the Group's Long-Term Incentive Plans.

Balance Sheet

ASSETS

As of June 30, 2016, total assets amounted to € 380.6 million and were € 19.5 million lower than their level on December 31, 2015 (€ 400.1 million). The decline in current assets of € 57.5 million mainly resulted from the shift in cash and cash equivalents and current financial assets to non-current financial assets with maturities extending over twelve months. The decline in current assets was also caused by the use of cash for operations in the first six months of 2016.

In comparison to December 31, 2015, non-current assets increased by € 38.0 million to a total of € 138.0 million mainly due to the shift in liquid assets under the Group's investment policy as described above.

LIABILITIES

Current liabilities rose slightly from € 27.5 million on December 31, 2015, to € 28.9 million on June 30, 2016. This increase was mainly driven by a rise in the items "provisions" and "current portion of deferred revenue".

Non-current liabilities decreased by € 0.7 million in comparison to December 31, 2015. Most of this decline resulted from a decrease in the item "deferred revenue, net of current portion".

STOCKHOLDERS' EQUITY

As of June 30, 2016, Group equity totaled € 342.5 million compared to € 362.7 million on December 31, 2015.

The number of shares issued totaled 26,537,682 as of June 30, 2016, of which 26,121,964 shares were outstanding (December 31, 2015: 26,537,682 shares issued and 26,103,012 shares outstanding).

The value of treasury stock declined from € 15,827,946 on December 31, 2015, to € 15,376,619 on June 30, 2016. The reason for this decline was the transfer of 71,247 of the Company's own shares in the amount of € 2,633,289 from the performance-based 2012 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, 2016, and provided beneficiaries a six-month option, expiring on October 4, 2016, to receive a total of 88,663 shares. The decline was offset by MorphoSys's repurchase of 52,295 of its own shares on the stock exchange at an average share price of € 41.69 for a total amount of € 2,179,963. Bank fees that were related to the repurchase amounted to € 1,999. As a result of these transactions, MorphoSys held 415,718 shares as treasury stock as of June 30, 2016.

Risk and Opportunity Report

The risks and opportunities and their assessment remain unchanged from the situation described on pages 53–60 in the 2015 Annual Report.

Subsequent Events

On July 19, 2016, Novartis confirmed that the development of bimagrumab in the indications of sarcopenia and muscle atrophy after hip fracture surgery will continue. For further details, we refer to the interim group management report. Apart from that, no events occurred after the reporting date of June 30, 2016 that require reporting.

Outlook

FINANCIAL GUIDANCE

MorphoSys's financial guidance for the 2016 financial year, published in the 2015 Annual Report on March 2, 2016, remains unchanged. For the full 2016 financial year, the Company expects revenues in the range of € 47 million to € 52 million. Based on management's current plans, expenses for proprietary research and development are expected to be in the range of € 76 million and € 83 million. MorphoSys expects earnings before interest and taxes (EBIT) for the 2016 financial year to amount to between € -58 million and € -68 million.

The statements in the 2015 Annual Report on pages 41 to 44 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	Three Months Ended 06/30/2016	Three Months Ended 06/30/2015	Six Months Ended 06/30/2016	Six Months Ended 06/30/2015
Revenues	**2**	**12,161,838**	**12,195,113**	**24,256,814**	**82,609,123**
Operating Expenses	**2**				
Research and Development		18,018,337	19,227,465	36,650,677	33,906,473
General and Administrative		3,667,865	4,012,523	6,896,271	6,998,384
Total Operating Expenses		**21,686,202**	**23,239,988**	**43,546,948**	**40,904,857**
Other Income		99,995	4,690,980	270,509	4,777,023
Other Expenses		114,269	337,114	210,305	397,237
Earnings before Interest and Taxes (EBIT)		**(9,538,638)**	**(6,691,009)**	**(19,229,930)**	**46,084,052**
Finance Income	3	410,136	(172,822)	623,898	2,170,926
Finance Expenses	3	123,770	67,877	239,606	299,061
Income Tax (Expenses) / Income		(2,365,084)	2,596,878	21,314	(11,436,117)
Consolidated Net Profit / (Loss)		**(11,617,356)**	**(4,334,830)**	**(18,824,324)**	**36,519,800**
Basic Net Profit / (Loss) per Share		**(0.45)**	**(0.17)**	**(0.72)**	**1.41**
Diluted Net Profit / (Loss) per Share		**(0.44)**	**(0.16)**	**(0.72)**	**1.39**
Shares Used in Computing Basic Net Result per Share		26,083,489	26,029,331	26,091,328	25,990,560
Shares Used in Computing Diluted Net Result per Share		26,207,497	26,295,167	26,204,531	26,272,053

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

€	Three Months Ended 06/30/2016	Three Months Ended 06/30/2015	Six Months Ended 06/30/2016	Six Months Ended 06/30/2015
Consolidated Net Profit / (Loss)	**(11,617,356)**	**(4,334,830)**	**(18,824,324)**	**36,519,800**
Change in Unrealized Gains and Losses on Available-for-sale Financial Assets and Bonds	(130,127)	61,914	(404,263)	87,449
(Thereof Reclassifications of Unrealized Gains and Losses to Profit and Loss)	71,171	61,167	(17,745)	64,291
Change of Tax Effects presented in Other Comprehensive Income on Available-for-sale Financial Assets and Bonds	(66,529)	(16,302)	6,597	(23,025)
Change in Unrealized Gains and Losses on Available-for-sale Financial Assets and Bonds, Net of Tax Effects	(196,656)	45,612	(397,666)	64,424
Change in Unrealized Losses on Cash Flow Hedges	307,467	0	(158,518)	0
Change of Tax Effects presented in Other Comprehensive Income on Cash Flow Hedges	(82,016)	0	42,285	0
Change in Unrealized Losses on Cash Flow Hedges, Net of Tax Effects	225,451	0	(116,233)	0
Foreign Currency Gains / (Losses) from Consolidation	0	(454)	0	638
Comprehensive Income	**28,795**	**45,158**	**(513,899)**	**65,062**
Total Comprehensive Income	**(11,588,561)**	**(4,289,672)**	**(19,338,223)**	**36,584,862**

*) In the first six months of 2016 and 2015, 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, 2016 (unaudited)	Dec. 31, 2015 (audited)
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	67,584,472	90,927,673
Available-for-sale Financial Assets	4	66,176,115	64,292,830
Bonds, Available-for-sale	4	27,000,115	33,120,117
Financial Assets classified as Loans and Receivables	4	64,362,998	94,587,528
Accounts Receivable	4	11,639,295	11,442,059
Tax Receivables		487,114	826,102
Other Receivables	3, 4	266,467	1,324,236
Inventories, Net		367,170	368,782
Prepaid Expenses and Other Current Assets		4,728,059	3,227,008
Total Current Assets		**242,611,805**	**300,116,335**
Non-current Assets			
Property, Plant and Equipment, Net		2,975,168	3,474,018
Patents, Net		5,705,291	6,141,061
Licenses, Net		3,195,868	3,244,800
In-process R&D Programs		60,959,887	60,959,887
Software, Net		1,618,935	1,936,268
Goodwill		7,364,802	7,364,802
Financial Assets classified as Loans and Receivables, Net of Current Portion	4	54,532,136	15,510,989
Deferred Tax Asset		645,405	381,949
Prepaid Expenses and Other Assets, Net of Current Portion		989,030	949,381
Total Non-current Assets		**137,986,522**	**99,963,155**
TOTAL ASSETS		**380,598,327**	**400,079,490**

€	Note	June 30, 2016 (unaudited)	Dec. 31, 2015 (audited)
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable and Accrued Expenses	4	22,419,489	22,341,663
Tax Provisions		1,560,289	1,698,276
Provisions		2,419,918	1,436,384
Current Portion of Deferred Revenue		2,463,119	1,994,120
Total Current Liabilities		**28,862,815**	**27,470,443**
Non-current Liabilities			
Provisions, Net of Current Portion		43,344	43,344
Deferred Revenue, Net of Current Portion		1,528,443	2,512,666
Convertible Bonds due to Related Parties	4	225,000	225,000
Deferred Tax Liability		7,395,174	7,092,030
Total Non-current Liabilities		**9,191,961**	**9,873,040**
Total Liabilities		**38,054,776**	**37,343,483**
Stockholders' Equity			
Common Stock	5	26,537,682	26,537,682
Ordinary Shares Issued (26,537,682 and 26,537,682 for 2016 and 2015, respectively)			
Ordinary Shares Outstanding (26,121,964 and 26,103,012 for 2016 and 2015, respectively)			
Treasury Stock (415,718 and 434,670 shares for 2016 and 2015, respectively), at Cost	5	(15,376,619)	(15,827,946)
Additional Paid-in Capital	5	318,088,762	319,394,322
Revaluation Reserve	5	(716,057)	(202,158)
Accumulated Income		14,009,783	32,834,107
Total Stockholders' Equity		**342,543,551**	**362,736,007**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**380,598,327**	**400,079,490**

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

	Common Stock	
	Shares	€
Balance as of January 1, 2015	**26,456,834**	**26,456,834**
Compensation Related to the Grant of Convertible Bonds and Performance Shares	0	0
Exercise of Convertible Bonds Issued to Related Parties	13,000	13,000
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
Foreign Currency Gains from Consolidation	0	0
Consolidated Net Profit for the Period	0	0
Total Comprehensive Income	0	0
Balance as of June 30, 2015	**26,469,834**	**26,469,834**
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**

	Treasury Stock Shares	Treasury Stock €	Additional Paid-in Capital €	Revaluation Reserve €	Translation Reserve €	Accumulated Income €	Total Stockholders' Equity €
	450,890	**(14,251,962)**	**318,375,720**	**(4,642)**	**293,846**	**17,933,339**	**348,803,135**
	0	0	2,088,313	0	0	0	2,088,313
	0	0	205,270	0	0	0	218,270
	88,670	(5,393,984)	0	0	0	0	(5,393,984)
	(104,890)	3,816,947	(3,816,947)	0	0	0	0
	0	0	0	64,424	0	0	64,424
	0	0	0	0	638	0	638
	0	0	0	0	0	36,519,800	36,519,800
	0	0	0	64,424	638	36,519,800	36,584,862
	434,670	**(15,828,999)**	**316,852,356**	**59,782**	**294,484**	**54,453,139**	**382,300,596**
	434,670	**(15,827,946)**	**319,394,322**	**(202,158)**	**0**	**32,834,107**	**362,736,007**
	0	0	1,327,729	0	0	0	1,327,729
	52,295	(2,181,962)	0	0	0	0	(2,181,962)
	(71,247)	2,633,289	(2,633,289)	0	0	0	0
	0	0	0	(397,666)	0	0	(397,666)
	0	0	0	(116,233)	0	0	(116,233)
	0	0	0	0	0	(18,824,324)	(18,824,324)
	0	0	0	(513,899)	0	(18,824,324)	(19,338,223)
	415,718	**(15,376,619)**	**318,088,762**	**(716,057)**	**0**	**14,009,783**	**342,543,551**

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

For the Period Ended June 30, (in €)	Note	2016	2015
Operating Activities:			
Consolidated Net Profit / (Loss)		(18,824,324)	36,519,800
Adjustments to Reconcile Net Profit / (Loss) to Net Cash Provided by / (Used in) Operating Activities:			
Depreciation and Amortization of Tangible and Intangible Assets		1,837,458	1,695,889
Net (Gain) / Loss on Sales of Financial Assets		6,453	58,075
Proceeds from Derivative Financial Instruments		596,694	0
Net (Gain) / Loss on Derivative Financial Instruments		28,636	(1,212,397)
(Gain) / Loss on Sale of Property, Plant and Equipment		18	688
Recognition of Deferred Revenue		(9,587,821)	(63,024,563)
Stock-based Compensation	8	1,327,729	2,088,313
Income Tax Expenses / (Income)		(21,314)	11,436,121
Gain from Revaluation of Participations		0	(4,495,020)
Changes in Operating Assets and Liabilities:			
Accounts Receivable		(197,237)	3,302,967
Prepaid Expenses, Other Assets and Tax Receivables		(1,181,207)	(411,897)
Accounts Payable and Accrued Expenses and Provisions		1,617,912	3,512,945
Other Liabilities		(350,960)	3,082,676
Deferred Revenue		9,072,597	9,405,189
Income Taxes Paid		(415,243)	(820,070)
Net Cash Provided by / (Used in) Operating Activities		**(16,090,609)**	**1,138,716**

in €	Note	2016	2015
Investing Activities:			
Purchase of Available-for-sale Financial Assets		(70,870,000)	(25,600,000)
Proceeds from Sales of Available-for-sale Financial Assets		69,000,001	49,703,951
Purchase of Bonds, Available-for-sale		0	(5,000,750)
Proceeds from Sales of Bonds, Available-for-sale		5,696,000	0
Purchase of Financial Assets Classified as Loans and Receivables		(114,499,998)	(24,698,360)
Proceeds from Sale of Financial Assets Classified as Loans and Receivables		104,899,999	56,222,141
Acquisitions, Net of Cash Acquired		0	(18,169,658)
Purchase of Property, Plant and Equipment		(354,687)	(648,524)
Purchase of Intangibles		(181,905)	(5,063,521)
Interest Received		1,241,779	726,217
Net Cash Provided by / (Used in) Investing Activities		**(5,068,811)**	**27,471,496**
Financing Activities:			
Repurchase of Treasury Stock in Consideration of Bank Fees	5	(2,181,963)	(5,393,984)
Proceeds from the Exercise of Convertible Bonds Granted to Related Parties		0	215,336
Interest Paid		(1,818)	(1,356)
Net Cash Provided by / (Used in) Financing Activities		**(2,183,781)**	**(5,180,004)**
Effect of Exchange Rate Differences on Cash		0	(165)
Increase / (Decrease) in Cash and Cash Equivalents		(23,343,201)	23,430,043
Cash and Cash Equivalents at the Beginning of the Period		**90,927,673**	**32,238,161**
Cash and Cash Equivalents at the End of the Period		**67,584,472**	**55,668,204**

Notes (unaudited)

MorphoSys AG ("the Company" or "MorphoSys") is a leader in the development of highly efficient technologies used to generate 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. The registered offices of the MorphoSys Group are located at Lena-Christ-Straße 48, 82152 Martinsried, Germany.

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, 2015.

The condensed interim consolidated financial statements were approved for publication on August 1, 2016.

The consolidated financial statements as of June 30, 2016, include MorphoSys AG, Sloning BioTechnology GmbH, Lanthio Pharma B.V. and LanthioPep B.V., 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, 2015, were also applied to the first six months of 2016 and can be found on the Company's website under www.morphosys.com/financial-reports.

The following revised standards are applied for the first time in the financial year.

Standard		Mandatory application for financial years starting on	Adopted by the European Union	Possible impact on MorphoSys
IFRS 11 (A)	Accounting for Acquisitions of Interests in Joint Operations	01/01/2016	yes	none
IAS 1 (A)	Disclosure Initiative	01/01/2016	yes	yes
IAS 16 und IAS 38 (A)	Clarification of Acceptable Methods of Depreciation and Amortisation	01/01/2016	yes	none
IAS 16 und IAS 41 (A)	Bearer Plants	01/01/2016	yes	none
IAS 27 (A)	Equity Method in Separate Financial Statements	01/01/2016	yes	none
	Improvements to International Financial Reporting Standards, 2012 – 2014 cycle	01/01/2016	yes	none

(A) Amendments

The following new and revised standards not yet mandatory for the reporting period or not yet adopted by the European Union have not been applied in advance. Standards with the remark "yes" are likely to effect the consolidated financial statements. Their effect is 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		Mandatory application for financial years starting on	Adopted by the European Union	Possible impact on MorphoSys
IFRS 9	Financial Instruments	01/01/2018	no	yes
IFRS 14	Regulatory Deferral Accounts	01/01/2016	no	none
IFRS 15	Revenue from Contracts with Customers	01/01/2018	no	yes
IFRS 16	Leases	01/01/2019	no	yes
IFRS 2 (A)	Classification and Measurement of Share-based Payment Transactions	01/01/2018	no	yes
IFRS 10/12 und IAS 28 (A)	Investment Entities – Applying the Consolidation Exception	01/01/2016	no	none
IFRS 15 (C)	Revenue from Contracts with Customers	01/01/2018	no	yes
IAS 7 (A)	Disclosure Initiative	01/01/2017	no	none
IAS 12 (A)	Recognition of Deferred Tax Assets for Unrealised Losses	01/01/2017	no	yes

(A) Amendments
(C) Clarifications

2 Segment Reporting

In reporting on its segments, 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 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. Intercompany pricing is determined on arm's length 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. The EBIT margin reflects the ratio of EBIT to revenues.

The Group consists of the following business segments.

PROPRIETARY DEVELOPMENT

The Proprietary Development segment comprises all activities related to the proprietary development of therapeutic antibodies and peptides. These activities currently comprise a total of 14 antibodies and peptides, including the clinical programs MOR106, MOR202, MOR208 and MOR209/ES414. The program MOR103, also included in this segment, was out-licensed to GSK and all activities are now conducted by GSK. MorphoSys is also pursuing other programs that are either at an early stage of proprietary development or fall under co-development agreements. One of these programs, added in May 2015, is the preclinical program MOR107 (formerly LP2) resulting from the acquisition of Lanthio Pharma B.V. Further eight programs are in discovery or pre-clinical development.

PARTNERED DISCOVERY

MorphoSys possesses one of the leading technologies for generating therapeutics based on human antibodies. The Group markets this technology commercially via partnerships with numerous pharmaceutical and biotechnology companies. The Partnered Discovery segment encompasses all operating activities relating to these commercial agreements and most of the Company's technological development.

The activities of the segments have changed slightly since the publication of the 2015 Annual Report. The development of proprietary technologies was transferred to the Proprietary Development segment as of January 1, 2016. Until December 31, 2015, these activities and their related costs were contained in the Partnered Discovery segment.

For the Six Months Period Ended June 30, (in 000's €) *	Proprietary Development		Partnered Discovery		Unallocated		Group	
	2016	2015	2016	2015	2016	2015	2016	2015
External Revenues	345	59,580	23,912	23,029	0	0	24,257	82,609
Other Operating Expenses	28,324	23,972	8,832	10,577	6,391	6,356	43,547	40,905
Other Income	148	4,621	0	1	123	155	271	4,777
Other Expenses	0	0	0	0	210	397	210	397
Segment EBIT	**(27,831)**	**40,229**	**15,080**	**12,453**	**(6,478)**	**(6,598)**	**(19,229)**	**46,084**
Finance Income	0	0	0	0	624	2,171	624	2,171
Finance Expenses	0	0	0	0	240	299	240	299
Profit before Taxes	**(27,831)**	**40,229**	**15,080**	**12,453**	**(6,094)**	**(4,726)**	**(18,845)**	**47,956**
Income Tax (Expenses) / Income	0	0	0	0	21	(11,436)	21	(11,436)
Consolidated Net Profit / (Loss)	**(27,831)**	**40,229**	**15,080**	**12,453**	**(6,073)**	**(16,162)**	**(18,824)**	**36,520**

For the Three Months Period Ended June 30, (in 000's €) *	Proprietary Development		Partnered Discovery		Unallocated		Group	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenues	211	202	11,951	11,993	0	0	12,162	12,195
Operating Expenses	13,754	14,250	4,527	5,367	3,405	3,623	21,686	23,240
Other Income	52	4,549	0	1	48	141	100	4,691
Other Expenses	0	0	0	0	114	337	114	337
Segment EBIT	**(13,491)**	**(9,499)**	**7,424**	**6,627**	**(3,471)**	**(3,819)**	**(9,538)**	**(6,691)**
Finance Income	0	0	0	0	410	(173)	410	(173)
Finance Expenses	0	0	0	0	124	68	124	68
Profit before Taxes	**(13,491)**	**(9,499)**	**7,424**	**6,627**	**(3,185)**	**(4,060)**	**(9,252)**	**(6,932)**
Income Tax (Expenses) / Income	0	0	0	0	(2,365)	2,597	(2,365)	2,597
Consolidated Net Profit / (Loss)	**(13,491)**	**(9,499)**	**7,424**	**6,627**	**(5,550)**	**(1,463)**	**(11,617)**	**(4,335)**

* Differences due to rounding.

The following overview shows the regional distribution of the Group's revenues.

For the Period Ended June 30, (in 000's €)	2016	2015
Germany	1,345	325
Europe and Asia	20,959	21,079
USA and Canada	1,953	61,205
Total	**24,257**	**82,609**

3 Financial Instruments

MorphoSys regularly uses foreign-currency options and forwards to hedge its foreign exchange risk. As of June 30, 2016, there were seven (December 31, 2015: 15) unsettled forward rate agreements with remaining maturities ranging from one to ten months. The gross unrealized gain of € 99,615 as of June 30, 2016 (December 31, 2015: € 749,929) and a gross unrealized loss of € 0 as of June 30, 2016, (December 31, 2015: € 24,984) were recorded in the financial result.

Since January 2016, a forward rate agreement expiring in early April 2017 is accounted for as a cash flow hedge under hedge accounting. As of June 30, 2016, this derivative is designated as a fully effective hedging instrument and is recognized with an unrealized loss of € 158,518 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, 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 2016 and 2015.

The fair values of financial assets and liabilities and the carrying amounts presented in the consolidated balance sheet were composed as follows.

30 June 2016	Note	Loans and Receivables	Available for Sale	Other Financial Liabilities	Total Carrying Amount	Fair value
(in 000's €)						
Cash and Cash Equivalents		67,584	0	0	67,584	67,584
Financial Assets classified as Loans and Receivables		64,363	0	0	64,363	64,363
Accounts Receivable		11,639	0	0	11,639	*
Forward Exchange Contracts Used for Hedging	3	100	0	0	100	100
Other Receivables		166	0	0	166	166
Financial Assets classified as Loans and Receivables, Net of Current Portion		54,532	0	0	54,532	54,532
Available-for-sale Financial Assets		0	66,176	0	66,176	66,176
Bonds, Available-for-sale		0	27,000	0	27,000	27,000
		198,384	**93,176**	**0**	**291,560**	**279,921**
Convertible Bonds - Liability Component		0	0	(225)	(225)	(225)
Accounts Payable and Accrued Expenses		0	0	(22,419)	(22,419)	*
Forward Exchange Contracts Used for Hedging	3	0	0	(159)	(159)	(159)
		0	**0**	**(22,803)**	**(22,803)**	**(384)**

31 December 2015	Note	Loans and Receivables	Available for Sale	Other Financial Liabilities	Total Carrying Amount	Fair value
(in 000's €)						
Cash and Cash Equivalents		90,928	0	0	90,928	90,928
Financial Assets classified as Loans and Receivables		94,588	0	0	94,588	94,588
Accounts Receivable		11,442	0	0	11,442	*
Forward Exchange Contracts Used for Hedging	3	750	0	0	750	750 **
Other Receivables		574	0	0	574	574
Financial Assets classified as Loans and Receivables, Net of Current Portion		15,511	0	0	15,511	15,511
Available-for-sale Financial Assets		0	64,293	0	64,293	64,293
Bonds, Available-for-sale		0	33,120	0	33,120	33,120
		213,793	**97,413**	**0**	**311,206**	**299,764**
Convertible Bonds - Liability Component		0	0	(225)	(225)	(225)
Accounts Payable and Accrued Expenses		0	0	(22,342)	(22,342)	*
Forward Exchange Contracts Used for Hedging	3	0	0	(25)	(25)	(25)
		0	**0**	**(22,592)**	**(22,592)**	**(250)**

* Disclosure waived in accordance with IFRS 7.29 (a)
** As of December 31, 2015, nil had been disclosed; the carrying amount equaled the fair value.

5 Changes in Stockholder's Equity

COMMON STOCK

On June 30, 2016, the Company had common stock amounting to € 26,537,682 (December 31, 2015: € 26,537,682).

As of June 30, 2016, the value of treasury stock decreased from € 15,827,946 on December 31, 2015 to € 15,376,619. This decline resulted from the transfer of 71,247 of the Company's own shares in the amount of € 2,633,289 from the performance-based 2012 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, 2016, and provided beneficiaries a six-month option, expiring on October 4, 2016, to receive a total of 88,663 shares. The decline was offset by MorphoSys's repurchase of 52,295 of its own shares on the stock exchange at a weighted-average price of € 41.69 per share for a total amount of € 2,179,963. The related bank fees amounted to € 1,999. The shares of treasury stock can be used for the purposes named in the authorization of the Annual General Meeting on May 23, 2014, particularly for any existing or future employee participation schemes, and/or to finance acquisitions or may also be redeemed. As a result, the number of treasury shares totaled 415,718 as of June 30, 2016.

ADDITIONAL PAID-IN CAPITAL

On June 30, 2016, additional paid-in capital amounted to € 318,088,762 (December 31, 2015: € 319,394,322). The decline totaling € 1,305,560 resulted mainly from the reclassification of treasury stock from the allocation of shares from the performance-based 2012 Long-Term Incentive Plan. The addition of personnel expenses from share-based payments had a compensating effect on this decline.

REVALUATION RESERVE

On June 30, 2016, the revaluation reserve amounted to € -716,057 (December 31, 2015: € -202,158). The decline of € 513,899 resulted from a change in unrealized gains and losses from available-for-sale securities and bonds and a change in unrealized losses from the hedging of cash flows.

6 Changes in Performance Shares

In the first six months of 2016, there were no stock options or convertible bonds issued to the Management Board, the Senior Management Group or the employees. In April 2016, a total of 68,143 performance shares were issued to the Management Board and Senior Management Group under the Long-Term Incentive Program 2016 (LTI Plan). Further details can be found in Note 7. After the expiration of the four-year vesting period, the Management Board and Senior Management Group received a six-month option to receive a total of 88,663 shares from the 2012 LTI program. As of June 30, 2016, a total of 71,247 shares from the 2012 LTI program was transferred to the program's beneficiaries.

7 Long-Term Incentive Program

On April 1, 2016, MorphoSys established a further Long-Term Incentive Plan (LTI Plan) for the Management Board and 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 key performance criteria have been achieved. These criteria are evaluated annually by the Supervisory Board. The grant date was April 1, 2016, and the vesting/performance period is four years. If the predefined key 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 shares vested each year will be reduced or increased to the extent that the performance criteria of the respective year have only been achieved between 50% and 99.9% (<100%) or the achievement of the performance criteria has exceeded 100% (maximum 200%). If in one year the achievement of performance criteria falls below 50%, no shares will vest in that year. Regardless, 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 freely 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 for servicing the LTI Plan, MorphoSys reserves the right to pay a certain amount of the LTI Plan in cash in 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 due to reaching the retirement age (receipt of a normal 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 performance shares determined on a precise daily pro rata basis.

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 as defined by 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.

In March 2016, MorphoSys repurchased 52,295 of its own shares on the stock exchange at an average price of € 41.69 per share for a total amount of € 2,179,963. The shares of treasury stock may be used for all purposes named in the authorization of the Annual General Meeting of May 23, 2014, particularly for any existing or future employee participation programs and/or to finance acquisitions or may also be redeemed.

A total of 68,143 of treasury shares were granted to the beneficiaries as of April 1, 2016 consisting of 35,681 shares for the Management Board (for further information, please see the table "Performance Shares" in Item 9 "Directors' Dealings") and 32,462 shares for the Senior Management Group. The number of shares granted was based on 100% target achievement and a factor of 1. The fair value of the performance shares on the grant date (April 1, 2016) was € 42.41 per share. Dividends were not considered in the determination of the fair value of the treasury stock since the Group does not intend to distribute any dividends in the foreseeable future. From the grant date until June 30, 2016, no beneficiary has left MorphoSys, and no performance shares have been forfeited. For the calculation of personnel expenses resulting from share-based payments under the 2016 LTI Plan, the assumption was made that one beneficiary will leave the Company during the four-year period.

8 Personnel Expenses Resulting from Share-Based Payments

In the first six months of 2016, personnel expenses resulting from share-based payments totaling € 1.3 million were recognized in the income statement (H1/2015: € 2.1 million). In 2016, this amount solely resulted from share-based payments settled with equity instruments, of which an amount of € 1.1 million was related to personnel expenses associated with LTI programs (H1/2015: € 1.7 million). This amount also contains a correction of previously recognized personnel expenses in the amount of € -0.2 million for the 2012 LTI program based on a company factor of 0.88 determined by the Supervisory Board. Previously, personnel expenses for the 2012 LTI program were determined by using a company factor of 1.0.

9 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 convertible bonds and performance shares to members of the Management Board.

The tables below show the shares, convertible bonds and performance shares held by the members of the Management Board and Supervisory Board and the changes in the members' ownership in the first six months of 2016.

SHARES

	01/01/16	Additions	Forfeitures	Sales	06/30/16
Management Board					
Dr. Simon Moroney	495,238	18,976	0	0	514,214
Jens Holstein	4,000	12,997	0	9,997	7,000
Dr. Arndt Schottelius	2,000	400	0	0	2,400
Dr. Marlies Sproll	50,752	12,997	0	6,237	57,512
Total	**551,990**	**45,370**	**0**	**16,234**	**581,126**
Supervisory Board					
Dr. Gerald Möller	11,000	0	0	0	11,000
Dr. Frank Morich	1,000	0	0	0	1,000
Dr. Marc Cluzel	500	0	0	0	500
Karin Eastham	2,000	0	0	0	2,000
Wendy Johnson	500	0	0	0	500
Klaus Kühn	0	0	0	0	0
Total	**15,000**	**0**	**0**	**0**	**15,000**

CONVERTIBLE BONDS

	01/01/16	Additions	Forfeitures	Exercises	06/30/16
Management Board					
Dr. Simon Moroney	88,386	0	0	0	88,386
Jens Holstein	90,537	0	0	0	90,537
Dr. Arndt Schottelius	60,537	0	0	0	60,537
Dr. Marlies Sproll	60,537	0	0	0	60,537
Total	**299,997**	**0**	**0**	**0**	**299,997**

PERFORMANCE SHARES

	01/01/16	Additions	Forfeitures	Allocations	06/30/16
Management Board					
Dr. Simon Moroney	44,164	12,032	0	18,976	37,220
Jens Holstein	30,248	7,883	0	12,997	25,134
Dr. Arndt Schottelius	30,248	7,883	0	0*	38,131
Dr. Marlies Sproll	30,248	7,883	0	12,997	25,134
Total	**134,908**	**35,681**	**0**	**44,970**	**125,619**

*12.997 Performance Shares can be exercised in a six-month period until October 4, 2016.

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

10 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 2016.

As of June 30, 2016, the Senior Management Group held 150,002 convertible bonds (December 31, 2015: 150,002 bonds) and 94,610 performance shares (December 31, 2015: 85,542 shares), which were granted by the Company. A new performance share program was issued to the Senior Management Group during the first six months of 2016 (refer to Note 7). On April 1, 2016, the Senior Management Group was allocated 27,813 shares from the 2012 LTI program with the option to receive these shares within a six-month period. As of June 30, 2016, the Senior Management Group had exercised options to receive 23,394 shares.

11 Subsequent Events

On July 19, 2016, Novartis confirmed that the development of bimagrumab in the indications of sarcopenia and muscle atrophy after hip fracture surgery will continue. For further details, we refer to the interim group management report. Apart from that, no events occurred after the reporting date of June 30, 2016 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."

Martinsried, July 20, 2016

Dr. Simon Moroney
Chief Executive Officer

Jens Holstein
Chief Financial Officer

Dr. Arndt Schottelius
Chief Development Officer

Dr. Marlies Sproll
Chief Scientific Officer

Review Report

TO MORPHOSYS AG; MARTINSRIED:

We have reviewed the condensed consolidated interim financial statements – comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of 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, Martinsried, for the period from 1 January to 30 June 2016 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Munich, July 21, 2016

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Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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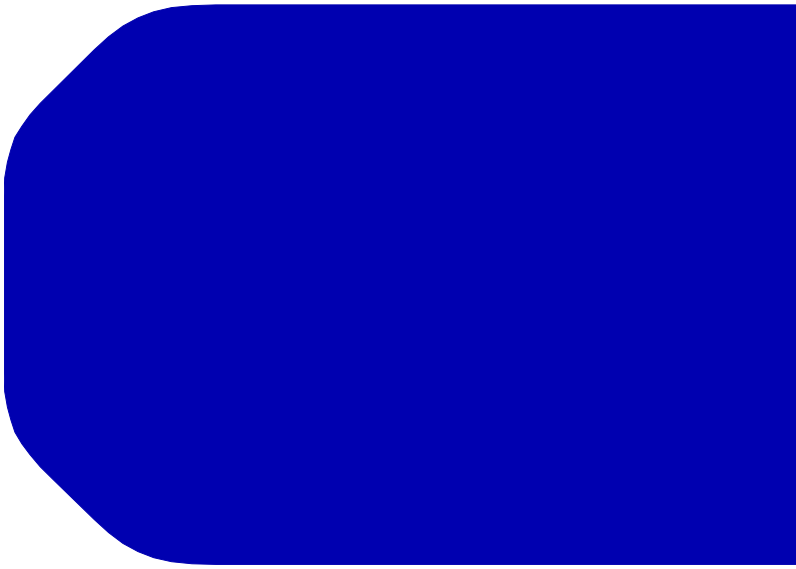
Financial Calendar 2016

MARCH 2, 2016	PUBLICATION OF 2015 FINANCIAL RESULTS
MAY 3, 2016	PUBLICATION OF 2016 FIRST QUARTER INTERIM STATEMENT
JUNE 2, 2016	2016 ORDINARY ANNUAL GENERAL MEETING IN MUNICH
AUGUST 1, 2016	PUBLICATION OF 2016 HALF-YEAR REPORT
NOVEMBER 7, 2016	PUBLICATION OF 2016 NINE MONTHS INTERIM STATEMENT



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