# 1st Interim Report

January – March 2014


morphosys

Engineering the Medicines of Tomorrow

# Contents

## MorphoSys Group:
## 1st Interim Report January – March 2014

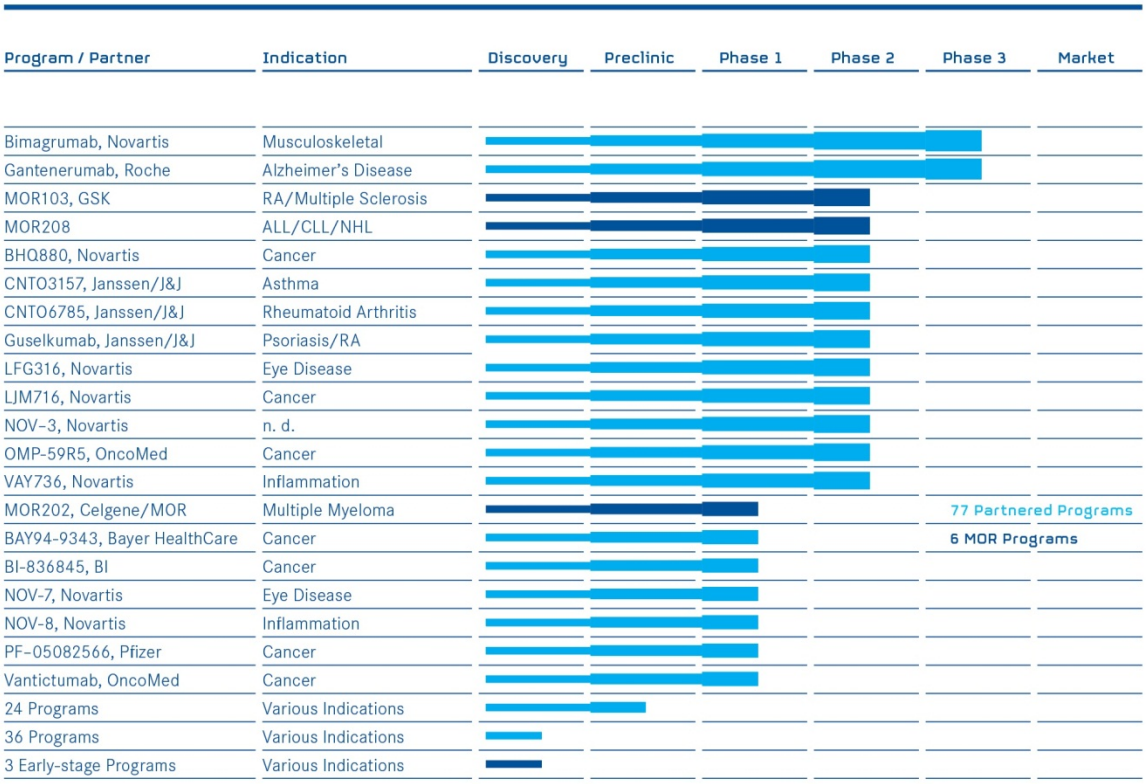
# Summary

## Summary of the First Quarter of 2014

- MorphoSys's partner Janssen announced positive phase 2b data for the anti-inflammatory HuCAL antibody guselkumab. The study met its primary objective of significantly alleviating symptoms and manifestations of psoriasis after 16 weeks.
- Roche started a second phase 3 trial with the HuCAL antibody gantenerumab. The study will test the compound on up to 1,200 patients with a mild form of Alzheimer's disease.
- Novartis applied for a phase 1 trial for a HuCAL antibody in the area of inflammatory diseases. This resulted in MorphoSys reaching this year's first clinical milestone in the partnered business.
- At the end of the first quarter of 2014, MorphoSys's product pipeline comprised 83 therapeutic antibody programs, including 20 clinical programs.
- MorphoSys acquired 111,000 MorphoSys shares in the first quarter. These shares will mainly be used for implementing the long-term incentive plan for MorphoSys's management.

### MORPHOSYS PRODUCT PIPELINE AS OF 31 MARCH 2014

MORPHOSYS'S PRODUCT PIPELINE



# Interim Group Management Report: 1 January – 31 March 2014

## Business Environment and Activities

### ECONOMIC DEVELOPMENT

The USA experienced a weak start into the new year. A severe cold spell impaired production in some parts of the country. In addition to the extreme cold, corporations attempted to reduce inventories to their usual levels in the first quarter of 2014, which slowed growth even more.

In China, the Communist Party adopted various fiscal measures to avert impending over-indebtedness, which also caused growth to slow in this country.

As the sovereign debt crisis subsided and inflation further declined, the euro area economy slowly improved in the first quarter of 2014, but still showed significant economic differences between the individual countries. Germany sent positive signals with its strong export data and recorded a slight increase in gross domestic product. The euro countries, which recently underwent fundamental reforms, also increasingly reported positive news. However, the developments in Italy and France continued to cause concern since both of these countries have thus far refused to implement austerity measures and are thereby at risk of falling behind.

In March, the Crimean crisis triggered global shock waves in the financial markets and temporarily caused a dramatic slump in the markets, particularly in the emerging countries of Russia and the Ukraine, which are directly affected. Nevertheless, experts do not expect this conflict to have a continued impact on the global economy. Shortages are not expected even though Russia is the largest oil and gas supplier to the EU. If Russia responded to EU sanctions with a suspension of deliveries, this would have a serious adverse effect on the Russian economy.

### IMPLICATIONS FOR MORPHOSYS

The economic developments described have not had material effects on the business development of MorphoSys AG in the first quarter of 2014.

### INDUSTRY OVERVIEW

The series of biotechnology IPOs continued in the US and also led to a rise in venture capital financing in the first quarter of 2014. According to a survey by the industry news service BioWorld, 26 biotechnology companies went public in the first quarter and raised a total of US$ 1.77 billion (Q1 2013: four IPOs raising US$ 247.6 million). Private companies attracted US$ 800 million in venture capital: more than twice as much as in the previous year.

In Germany, Glycotope GmbH, Berlin, completed one of the largest rounds of venture capital financing in Europe and raised € 55 million. The funds raised will finance the clinical phase 2b trials of the two antibody cancer compounds Pankomab-GEX™ and CetuGEX™.

### OPERATIONAL PERFORMANCE

MorphoSys started the year 2014 as planned. The pipeline developed steadily with a first new IND through partner Novartis. As part of its proprietary development programs, the phase 1 trial for MOR202 and phase 2 trials for the cancer compound MOR208 are running as planned. The clinical phase 1b study for MOR103 in multiple sclerosis has been successfully completed and results will be published in the first half of 2014.

At the end of the first quarter of 2014, MorphoSys's product pipeline comprised 83 partnered and proprietary programs, of which 20 were in clinical development.

The results of the first three months of 2014 show that MorphoSys is on track to achieving the operating and financial targets set out for the full-year.

### STRATEGY AND PERFORMANCE MANAGEMENT

MorphoSys did not make any changes to the Company's strategy or performance management in the first quarter. A comprehensive description of the Company's strategy and performance management may be found in the 2013 Annual Report starting on page 24.

## Research and Development

### PARTNERED DISCOVERY

On 22 March, at the 72nd annual convention of the American Academy of Dermatology, MorphoSys's partner Janssen Biotech presented promising data on the anti-inflammatory HuCAL antibody guselkumab (CNTO1959). The data stemmed from the X-PLORE trial where the compound guselkumab was tested on 293 patients with moderate to severe psoriasis. Guselkumab binds the p19 subunit of the target molecule IL-23, and is thereby differentiated from Janssen Biotech's drug Stelara®, which also binds to IL-12 through the p40 subunit shared with the target molecule IL-23.

According to the publicly available results, the randomized phase 2 study, which was conducted at multiple study centers and used several doses of guselkumab compared to placebo and to adalimumab (Humira®), achieved the study's primary objective. The compound was able to greatly reduce the severity of the disease symptoms typical for psoriasis as measured by a Physician's Global Assessment (PGA) value of 0 (no discomfort) or 1 (minimal discomfort) after a trial period of 16 weeks. A total of 34% of the patients who achieved these values were at the lowest dosage level of 5 mg and 86% were at a dosage of 100 mg, which was the group with the best results. This compares to around 7% of patients with these values in the placebo group and about 58% receiving the treatment with adalimumab. Based on this positive outcome of the study, Janssen announced its intention to test guselkumab in a pivotal phase 3 trial. Currently, guselkumab is also in a phase 2 trial in rheumatoid arthritis, which could provide data later this year.

MorphoSys's partner Roche announced the launch of a new phase 3 clinical study, known as Marguerite RoAD, that will test gantenerumab on up to 1,200 patients with a mild form of Alzheimer's disease. All three phase 3 studies, in which the compound is currently being tested, are being carried out to investigate the possibility of achieving a positive benefit through early intervention in the disease process and before significant neuronal damage occurs.

In the first quarter of 2014, MorphoSys confirmed that the BI836845 and PF-05082566 projects are based on its proprietary HuCAL platform. The BI836845 compound, developed by the pharmaceutical company Boehringer Ingelheim, is directed against the target molecule IGF-1 (insulin-like growth factor-1) and is currently being tested in the area of cancer in two phase 1 trials.

The PF-05082566 compound, developed by the pharmaceutical company Pfizer, is directed against the target molecule 4-1BB occurring on T cells and is currently being tested in phase 1 trials in cancer patients with solid tumors and in malignant diseases of B cells. The drug follows the approach of modern immune therapies to enhance the immune response against the tumor and block evasion strategies of cancer cells. In the first quarter of 2014, a collaboration between Pfizer and Merck was announced in which they will jointly test a combination of PF-05082566 with Merck's cancer drug MK-3475, a PD-1 inhibitor, in further clinical phase 1/2 trials.

In February 2014, MorphoSys announced the launch of a clinical study with a new antibody within the Novartis co-operation. The relevant fully human HuCAL antibody is being developed for therapeutic use in the field of ophthalmology. Altogether, Novartis is currently evaluating one HuCAL antibody in phase 3 clinical trials, four antibodies in phase 2, and three in phase 1 clinical trials.

During the first three months of 2014, MorphoSys's partnered therapeutic antibody pipeline increased to a total of 77 active programs (31 December 2013: 75 partnered programs). Of these programs, 17 are currently in clinical development, 24 in pre-clinical development, and 36 are in the discovery phase.

### PROPRIETARY DEVELOPMENT

MorphoSys is presently pursuing three proprietary antibody molecules in clinical studies: MOR103 (anti-GM-CSF) in the areas of rheumatoid arthritis (RA) and multiple sclerosis (MS), the HuCAL antibody MOR202 directed at the CD38 target molecule in the area of multiple myeloma, and MOR208, an Fc-optimized and humanized antibody targeting CD19 in the area of malignant diseases of B cells.

MorphoSys is currently pursuing various programs which are in the early discovery phase. These programs include the joint development program with Galapagos N.V. as well as two programs which are partly being carried out in co-operation with external research institutions. One of these programs is in the area of infectious diseases.

## Intellectual Property

In the first three months of 2014, MorphoSys continued to consolidate and expand the patent position of its development program and its growing technology portfolio representing the Company's key value drivers.

Presently, the Company maintains more than 40 different proprietary patent families worldwide in addition to the numerous patent families it pursues in co-operation with its partners.

# Commercial Development

### PARTNERED DISCOVERY

During the first quarter of 2014, Novartis triggered a clinical milestone payment to MorphoSys through the official registration and the scheduled start of a clinical phase 1 trial. The fully human HuCAL antibody is being developed in the area of inflammatory diseases.

All other active partnerships are progressing as expected. The total amount of success-based payments achieved in the first three months came to € 0.9 million.

### PROPRIETARY DEVELOPMENT

In the course of the first quarter, MorphoSys strengthened its proprietary development pipeline even further. The development of the cancer compound MOR208 in chronic lymphocytic leukemia (CLL) progressed and two phase 2 studies are expected to demonstrate the antibody's commercial potential in the additional indications of non-Hodgkin's lymphoma (NHL) and acute lymphoblastic leukemia (ALL).

The Ohio State University started a phase 2 clinical trial to study the efficacy and tolerability of MOR208 in combination with the drug lenalidomide (Revlimid®) in patients with chronic lymphocytic leukemia (CLL). The study was initiated by the principal investigator Dr. Jennifer Woyach, assistant professor of internal medicine at OSU, and is intended to include 20 previously untreated CLL patients and up to 20 refractory / relapsed patients.

### ACQUISITION UPDATE

In the financial year 2013 and in the first quarter of 2014, MorphoSys did not acquire any development candidates or companies.

## Human Resources

On 31 March 2014, the MorphoSys Group engaged 310 employees (31 December 2013: 299). In the first three months of 2014, an average of 309 employees worked for the MorphoSys Group (Q1/2013: 289).

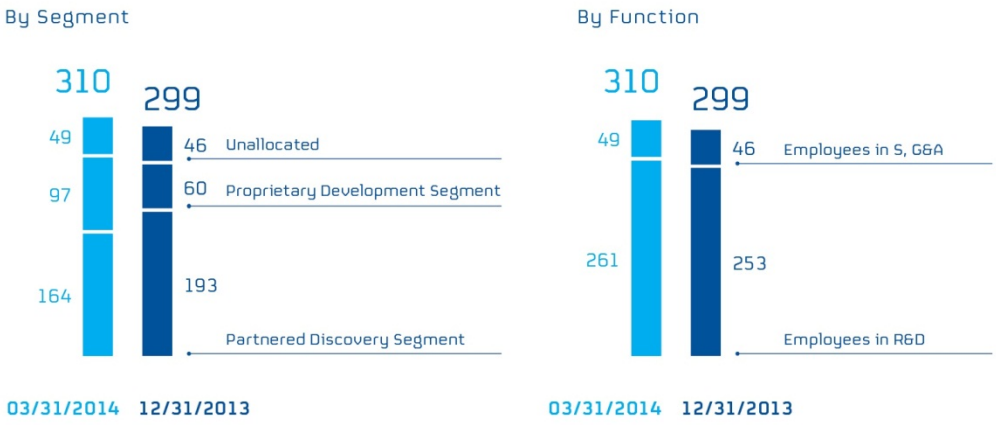
Of these 310 employees, 261 were employed in research and development, and 49 in selling, general, and administrative functions (31 December 2013: 253 and 46, respectively).

On 31 March 2014, MorphoSys had a total of 117 employees with PhD degrees (31 December 2013: 118).

Of the 310 employees, 164 worked for the Partnered Discovery segment, 97 for the Proprietary Development segment (31 December 2013: 193 in the Partnered Discovery segment and 60 in the Proprietary Development segment). The remaining 49 employees were not allocated to either of these segments (31 December 2013: 46). The shift between the Partnered Discovery and the Proprietary Development segment in the first quarter 2014 derived from further intensified development activities associated with proprietary products.

On 31 March 2014, MorphoSys employed ten trainees (31 December 2013: 10).

**EMPLOYEES BY SEGMENT AND FUNCTION**



# Financial Analysis

At the end of 2012, MorphoSys announced the sale of substantially all of the AbD Serotec business to Bio-Rad Laboratories, Inc. (Bio-Rad). As of 31 December 2012, substantially all of the AbD Serotec operating segment represented a discontinued operation as defined within IFRS 5. The Partnered Discovery and Proprietary Development operating segments, along with the continuing operations of the AbD Serotec segment, were classified as continuing operations as of the balance sheet date of 31 December 2012. The closing of the transaction was dependent upon certain conditions that were met on 10 January 2013 (closing date). Hence, substantially all of the AbD Serotec segment was sold as of this date. Therefore, the financial implications of the discontinued operations of AbD Serotec, owned by the MorphoSys Group until 10 January 2013, are reflected in the prior year's figures.

## Revenues

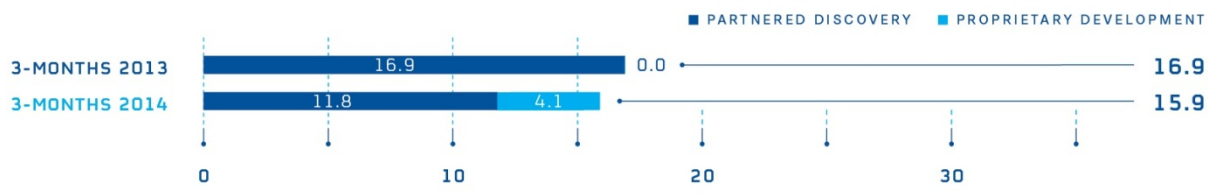
Compared to the previous year, Group revenues declined by 6% to € 15.9 million (Q1/2013: € 16.9 million). This slight decrease mainly resulted from a one-time effect in license fees in Q1 2013 in connection with the sale of the business unit AbD Serotec to Bio-Rad.

From a geographical viewpoint, MorphoSys achieved 27% or € 4.3 million of its commercial revenues with biotechnology and pharmaceutical companies and non-profit organizations headquartered in North America and 73% or € 11.6 million with customers primarily located in Europe and Asia. In the comparable period of the previous year, these figures were 4% and 96%, respectively.

### PARTNERED DISCOVERY AND PROPRIETARY DEVELOPMENT SEGMENTS

The revenues of the Partnered Discovery segment contained € 10.9 million from funded research and licensing fees (Q1/2013: € 16.5 million) as well as success-based payments amounting to € 0.9 million (Q1/2013: € 0.4 million). Success-based payments amounted to 6% (Q1/2013: 2%) of total revenues of the Partnered Discovery and Proprietary Development segments. The decline in license fees resulted from a one-off effect in the first quarter of 2013 in connection with the sale of the AbD Serotec business to Bio-Rad. As part of this sale, a non-exclusive license for the use of the HuCAL technology in the market for research reagents and diagnostics was also transferred to Bio-Rad. The decline, which resulted from the one-off effect, was partially offset by comparatively higher revenues from success-based payments carried out in the first quarter of 2014.

**REVENUE DEVELOPMENT BY SEGMENT – CONTINUING OPERATIONS** (IN € MILLION)*




* Differences due to rounding

The Proprietary Development segment achieved revenues of € 4.1 million in the first quarter of 2014 (Q1/2013: no revenue). These stemmed primarily from the co-development activities with Celgene.

Nearly 94% of Group revenues were generated with Novartis, Celgene, and GlaxoSmithKline (Q1/2013: 99% from Novartis, Bio-Rad, and Pfizer).

## Operating Expenses

At € 14.5 million, operating expenses in the first three months of 2014 were essentially at the previous year's level (Q1/2013: € 14.6 million). Expenses included € 11.2 million for research and development (Q1/2013: € 11.0 million) and € 3.3 million for selling, general, and administrative expenses (Q1/2013: € 3.6 million).

The operating expenses of the Partnered Discovery segment fell to € 4.8 million (Q1/2013: € 6.1 million) and increased from € 5.6 million to € 6.7 million in the Proprietary Development segment.

Personnel expenses resulting from share-based payments are contained in selling, general, and administrative expenses as well as within research and development expenses. Personnel expenses resulting from share-based compensation amounted to € 0.9 million in the first three months of 2014 (Q1/2013: € 1.1 million) and represent a non-cash expenditure. The decline resulted from a modification of the LTI programs established in the years 2011 and 2012.

### RESEARCH AND DEVELOPMENT EXPENSES

In the first three months of 2014, research and development expenses remained virtually at the previous year's level and amounted to € 11.2 million (Q1/2013: € 11.0 million). They mainly consisted of personnel expenses (Q1/2014: € 5.0 million; Q1/2013: € 5.0 million), expenses for external laboratory services (Q1/2014: € 2.9 million; Q1/2013: € 2.9 million), expenses for external services (Q1/2014: € 0.3 million; Q1/2013: € 0.2 million), expenses related to intangible assets (Q1/2014: € 1.1 million; Q1/2013: € 1.2 million), expenses for technical infrastructure (Q1/2014: € 0.9 million; Q1/2013: € 0.9 million), and material expenses (Q1/2014: € 0.5 million; Q1/2013: € 0.5 million).

In the first three months of 2014, the Company incurred expenses for the development of proprietary products amounting to € 6.7 million (Q1/2013: € 5.6 million) as well as expenses for technology development of € 0.6 million (Q1/2013: € 1.4 million).

### DISTRIBUTION OF R&D EXPENSES (IN MILLION €)

| | Q1/2014 | Q1/2013 |
|---|---|---|
| R&D Expenses on behalf of Partners | 3.9 | 4.0 |
| Proprietary Development Expenses | 6.7 | 5.6 |
| Technology Development Expenses | 0.6 | 1.4 |
| **R&D Total** | **11.2** | **11.0** |

**SELLING, GENERAL, AND ADMINSTRATIVE EXPENSES**

At € 3.3 million, selling, general, and administrative expenses were below the level incurred in the comparable period of the previous year (Q1/2013: € 3.6 million). These expenses consisted mainly of personnel expenses (Q1/2014: € 2.3 million; Q1/2013: € 2.3 million), expenses for external services (Q1/2014: € 0.6 million; Q1/2013: € 0.7 million) and expenses for technical infrastructure (Q1/2014: € 0.2 million; Q1/2013: € 0.3 million).

DEVELOPMENT OF OPERATING EXPENSES – CONTINUING OPERATIONS (IN € MILLION)


## Other Income and Expenses

Other income amounted to € 0.1 million (Q1/2013: € 0.2 million) and mainly resulted from the reversal in write-downs of accounts receivable impaired in previous years due to received payments as well as currency gains, while other expenses of € 0.1 million (Q1/2013: € 0.1 million) were largely caused by impairment of receivables and currency losses.

## EBIT

Earnings before interest and taxes (EBIT) amounted to € 1.4 million, in comparison to an EBIT of € 2.5 million in the previous year. The EBIT of the Partnered Discovery segment amounted to € 6.9 million (Q1/2013: € 10.9 million), whereas the Proprietary Development segment showed an EBIT of € -2.6 million (Q1/2013: € -5.5 million).

## Finance Income and Expenses

Finance income reached € 0.3 million (Q1/2013: € 0.1 million) and mainly comprised interest income. Finance expenses of € 0.05 million (Q1/2013: € 0.05 million) largely resulted from bank fees.

## Taxes

In the first three months of 2014, the Group's income tax expenses of € 0.5 million (Q1/2013: tax expenses of € 0.7 million) comprised current tax expenses of € 0.4 million and deferred tax expenses of € 0.1 million.

## Profit for the Period from Continuing Operations

In the first three months of 2014, continuing operations achieved a net profit for the period of € 1.1 million (Q1/2013: € 1.9 million).

## Profit for the Period from Discontinued Operations

The sale of substantially all of the AbD Serotec business to Bio-Rad resulted in a profit from discontinued operations in the amount of € 0 in the first quarter of 2014 (Q1/2013: profit in the amount of € 6.0 million).

## Consolidated Net Profit for the Period

A net profit after taxes of € 1.1 million was generated in the first three months of 2014 (Q1/2013: € 7.9 million).

## Financial Position

### CASH FLOWS

Net cash outflow from operating activities amounted to € 7.7 million in 2014 (Q1/2013: inflow of € 5.8 million). Investment activities resulted in a cash outflow of € 9.1 million (Q1/2013: € 11.9 million). Financing activities in the first quarter of 2014 produced a cash outflow of € 7.8 million (Q1/2013: neither a cash inflow nor outflow was generated).

### INVESTMENTS

MorphoSys invested € 1.2 million in property, plant, and equipment in the first three months of 2014 (Q1/2013: € 0.2 million). During the first quarter of 2014, depreciation of property, plant, and equipment amounted to € 0.3 million compared to € 0.4 million in 2013.

The Company invested € 0.2 million in intangible assets in the first three months of 2014 (Q1/2013: € 0.5 million). Amortization of intangible assets totaled € 0.8 million in the first three months of 2014, and was below the level of the previous year (Q1/2013: € 0.9 million).

### LIQUIDITY

On 31 March 2014, the Company held cash and cash equivalents, marketable securities, and other financial assets in the amount of € 380.4 million compared to € 390.7 million on 31 December 2013.

This sum included cash and cash equivalents of € 47.3 million (31 December 2013: € 71.9 million), marketable securities and bonds of € 204.8 million (31 December 2013: € 199.5 million), as well as other financial assets of the category "loans and receivables" in the amount of € 103.8 million (31 December 2013: € 119.3 million), which were reported as other receivables within current assets. Further financial assets of the category "loans and receivables" in the amount of € 24.5 million were recognized as other receivables within non-current assets as of 31 March 2014.

The decrease in cash and cash equivalents, marketable securities, and other financial assets was mainly a result of the use of cash and cash equivalents for operating activities during the first quarter of 2014.

## Balance Sheet

### ASSETS

On 31 March 2014, total assets amounted to € 436.9 million and were € 10.8 million below the level reported on 31 December 2013 (€ 447.7 million). The decline in current assets of € 36.7 million primarily resulted from the use of cash and cash equivalents for operating activities during the first quarter of 2014 as well as from the investment into long-term financial assets in the amount of € 24.5 million.

Compared to 31 December 2013, non-current assets increased by € 26.0 million, mainly due to the long-term investment of funds.

### LIABILITIES

The decline in current liabilities from € 35.4 million on 31 December 2013 to € 33.8 million on 31 March 2014, essentially resulted from a decline in personnel-related accrued expenses of € 4.5 million. This was partly offset by the € 3.4 million increase in the current portion of deferred revenue.

Non-current liabilities fell by € 3.2 million in comparison to the level reported on 31 December 2013. This was mainly due to a decline in deferred revenue.

### EQUITY

On 31 March 2014, Group equity amounted to € 346.3 million compared to € 352.1 million on 31 December 2013.

On 31 March 2014, the number of shares issued totaled 26,220,882 of which 25,769,992 shares were outstanding (31 December 2013: 26,220,882 and 25,880,992 shares, respectively).

Treasury shares increased by € 7,833,944 compared to 31 December 2013 and totaled € 14,251,962 on 31 March 2014. This increase was the result of MorphoSys's repurchase of 111,000 of the Company's own shares on the stock exchange. Consequently, MorphoSys held 450,890 of its own shares on 31 March 2014.

## Financing

The Company's equity ratio amounted to 79% on 31 March 2014 compared to 79% on 31 December 2013. Currently, the Company is not financed by financial debt.

## Risk and Opportunity Report

The risks and opportunities as well as their assessment remain unchanged as compared to the situation described on pages 58 to 67 of the 2013 Annual Report.

# Subsequent Events

On 1 April 2014, a new LTI program was granted to the Management Board and the Senior Management Group.

Until 25 April 2014, 80,250 convertible bonds from the 2010 program were exercised. As a result of these exercises after the Q1 reporting date, common stock increased by € 80,250.00 and additional paid-in capital increased by € 1,267,147.50.

No events occurred that require reporting over and above those mentioned.

# Outlook

### EXPECTED DEVELOPMENT IN THE LIFE SCIENCES SECTOR

The pharmaceutical industry's aim to compensate for far-reaching patent losses through a combination of acquisitions, entering new markets, and reducing costs seems to be bearing fruit. For the year 2014, industry experts and investors alike expect pharmaceutical manufacturers to see a return to higher revenues. According to market observer IMS Health, the biopharmaceutical sector is an important growth driver and already accounts for around 23% of the expenditures for statutory health insurance. Acquisitions, especially those of innovative biotechnology firms, should continue to generate rising profits for the large pharmaceutical companies. The pharmaceutical industry is gaining additional momentum from emerging markets such as Brazil, Russia, India, and China. As affluence increases, the need for the appropriate drugs for diseases such as diabetes, high blood pressure, and cancer rises.

MorphoSys is ideally positioned in this environment. The pipeline of innovative antibody drug candidates based on the Company's proprietary technologies, developed both independently and in collaboration with partners, is among one of the broadest in the industry and provides for lasting business success. Thanks to its excellent financial position, MorphoSys is able to continually expand its business activities through investments in proprietary drugs and technology development.

### FINANCIAL GUIDANCE

MorphoSys's latest financial guidance for the financial year 2014 was published on 28 February 2014 and was confirmed with the release of the Q1 results. MorphoSys expects revenues in the range of € 58 million to € 63 million and a negative EBIT of € -11 million to € -16 million. Investments in proprietary products and technologies should amount to € 36 million to € 41 million. This guidance does not include the cost of any additional development programs that may be in-licensed in 2014.

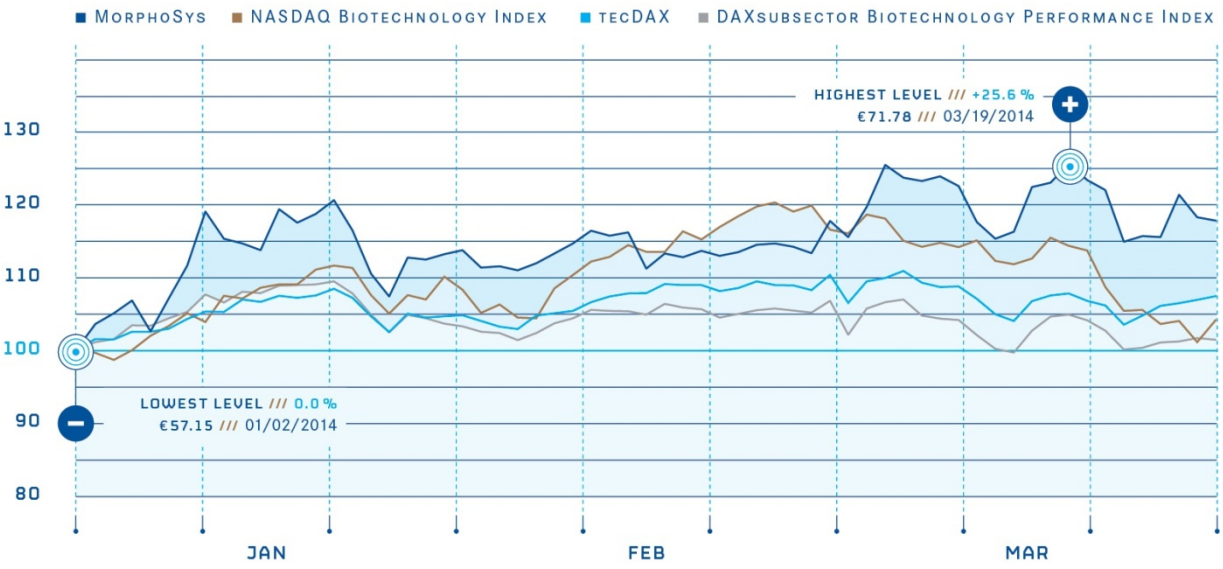
The statements made in the 2013 Annual Report on pages 69 to 72 regarding the strategic outlook, the expected operational and human resources developments, future research and development, and the dividend policy, continue to apply.

## Share Price Performance

After the strong performance of MorphoSys shares in 2013, the shares continued to increase in value in the first quarter of 2014 without experiencing any significant price fluctuations from either economic factors or company news.

Within an overall positive stock market environment, MorphoSys shares have risen a total of +17.8% in the course of the first quarter ending 31 March 2014. The most important comparable indices also performed somewhat positively: In the first three months of 2014, the NASDAQ Biotechnology Index rose 4.0%, the TecDAX increased 7.3%, and the DAX Subsector Biotechnology Performance Index gained 1.3%.

THE MORPHOSYS SHARE (2 JANUARY 2014 = 100 %)



# Consolidated Income Statement (IFRS) – (unaudited)

| € | Note | Three Months Ended 03/31/2014 | Three Months Ended 03/31/2013 |
|---|---|---|---|
| Continuing Operations: | | | |
| **Revenues** | 2 | **15,877,314** | **16,919,959** |
| **Operating Expenses** | 2 | | |
| Research and Development | | 11,211,215 | 10,996,292 |
| Selling, General and Administrative | | 3,315,580 | 3,574,191 |
| **Total Operating Expenses** | | **14,526,795** | **14,570,483** |
| Other Income | | 128,174 | 210,339 |
| Other Expenses | | 93,604 | 57,251 |
| **Earnings before Interest and Taxes (EBIT)** | | **1,385,089** | **2,502,564** |
| Finance Income | | 275,054 | 105,156 |
| Finance Expenses | | 53,640 | 49,350 |
| Income Tax Expenses | | 516,109 | 680,822 |
| **Profit from Continuing Operations** | | **1,090,394** | **1,877,548** |
| **Profit from Discontinued Operations** | | **0** | **5,978,029** |
| **Consolidated Net Profit** | | **1,090,394** | **7,855,577** |
| **Basic Net Profit per Share** | | **0.04** | **0.34** |
| thereof from Continuing Operations | | 0.04 | 0.08 |
| thereof from Discontinued Operations | | 0.00 | 0.26 |
| **Diluted Net Profit per Share** | | **0.04** | **0.33** |
| thereof from Continuing Operations | | 0.04 | 0.08 |
| thereof from Discontinued Operations | | 0.00 | 0.25 |
| Shares Used in Computing Basic Net Profit per Share | | 25,860,025 | 23,102,813 |
| Shares Used in Computing Diluted Net Profit per Share | | 26,290,147 | 23,577,706 |

See accompanying Notes

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

| € | Three Months Ended 03/31/2014 | Three Months Ended 03/31/2013 |
|---|---|---|
| **Consolidated Net Profit** | **1,090,394** | **7,855,577** |
| Change in Unrealized Gains and Losses on Available-for-sale Financial Assets and Bonds | 121,126 | (37,289) |
| (Thereof Reclassifications of Unrealized Gains and Losses to Profit and Loss) | (21,536) | (66,950) |
| Deferred Taxes | (25,642) | 9,818 |
| Change in Unrealized Gains and Losses on Available-for-sale Financial Assets and Bonds, Net of Deferred Taxes | 95,484 | (27,470) |
| Effects from Equity-related Recognition of Deferred Taxes | 48,690 | 28,098 |
| Change of Current Tax Effect on Fiscal Balancing Item on Available-for-sale Financial Assets and Bonds | (48,690) | 0 |
| Foreign Currency Gains and Losses from Consolidation | 20,662 | 1,303,200 |
| **Comprehensive Income** | **1,206,540** | **9,159,405** |
| thereof from Continuing Operations | 1,206,540 | 7,782,725 |
| thereof from Discontinued Operations | 0 | 1,376,679 |

# Consolidated Balance Sheet (IFRS)

| € | Note | 31 March 2014 (unaudited) | 31 Dec. 2013 (audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and Cash Equivalents | | 47,250,266 | 71,873,696 |
| Available-for-sale Financial Assets | | 193,693,398 | 188,360,354 |
| Bonds, Available-for-sale | | 11,123,145 | 11,102,087 |
| Accounts Receivable | | 9,846,554 | 10,270,322 |
| Income Tax Receivables | | 133,607 | 77,743 |
| Other Receivables | 3 | 103,928,712 | 119,458,330 |
| Inventories, Net | | 756,095 | 731,009 |
| Prepaid Expenses and Other Current Assets | | 3,151,898 | 4,693,943 |
| **Total Current Assets** | | **369,883,675** | **406,567,484** |
| **Non-current Assets** | | | |
| Property, Plant and Equipment, Net | | 3,026,542 | 2,168,189 |
| Patents, Net | | 7,621,628 | 7,834,711 |
| Licenses, Net | | 5,097,035 | 5,396,516 |
| Intangible Assets under Development | | 12,807,800 | 12,807,800 |
| Software, Net | | 1,664,455 | 1,758,026 |
| Goodwill | | 7,352,467 | 7,352,467 |
| Other Receivables, Net of Current Portion | 3 | 24,544,324 | 0 |
| Shares, Available-for-Sale, Net of Current Portion | | 1,726,633 | 1,726,633 |
| Deferred Tax Asset | | 338,615 | 313,372 |
| Prepaid Expenses and Other Assets, Net of Current Portion | | 2,866,136 | 1,731,548 |
| **Total Non-current Assets** | | **67,045,635** | **41,089,262** |
| **TOTAL ASSETS** | | **436,929,310** | **447,656,746** |

See accompanying Notes

| € | Note | 31 March 2014 (unaudited) | 31 Dec. 2013 (audited) |
|---|---|---|---|
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | |
| **Current Liabilities** | | | |
| Accounts Payable and Accrued Expenses | | 12,100,149 | 17,190,021 |
| Tax Liabilities | | 2,734,217 | 2,690,282 |
| Provisions | | 260,000 | 260,000 |
| Current Portion of Deferred Revenue | | 18,662,455 | 15,266,877 |
| **Total Current Liabilities** | | **33,756,821** | **35,407,180** |
| **Non-current Liabilities** | | | |
| Provisions, Net of Current Portion | | 791,784 | 636,941 |
| Deferred Revenue, Net of Current Portion | | 55,642,708 | 59,168,599 |
| Convertible Bonds Due to Related Parties | | 298,606 | 298,606 |
| Deferred Tax Liability | | 142,337 | 0 |
| **Total Non-current Liabilities** | | **56,875,435** | **60,104,146** |
| **Total Liabilities** | | **90,632,256** | **95,511,326** |
| | | | |
| **Stockholders' Equity** | | | |
| Common Stock | 5 | 26,220,882 | 26,220,882 |
| Ordinary Shares Authorized (36,614,174 and 36,614,174 for 2014 and 2013, respectively) | | | |
| Ordinary Shares Issued (26,220,882 and 26,220,882 for 2014 and 2013, respectively) | | | |
| Ordinary Shares Outstanding (25,769,992 and 25,880,992 for 2014 and 2013, respectively) | | | |
| Treasury Stock (450,890 and 339,890 shares for 2014 and 2013, respectively), at Cost | 5 | (14,251,962) | (6,418,018) |
| Additional Paid-in Capital | 5 | 311,742,689 | 310,963,651 |
| Revaluation Reserve | 5 | 335,865 | 240,381 |
| Translation Reserve | 5 | 213,218 | 192,556 |
| Accumulated Income | | 22,036,362 | 20,945,968 |
| **Total Stockholders' Equity** | | **346,297,054** | **352,145,420** |
| **Total Liabilities and Stockholders' Equity** | | **436,929,310** | **447,656,746** |

See accompanying Notes

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

| | Common Stock | |
|---|---|---|
| | **Shares** | **€** |
| **Balance as of 1 January 2013** | **23,358,228** | **23,358,228** |
| Compensation Related to the Grant of Stock Options and Convertible Bonds | 0 | 0 |
| Exercise of Options and Convertible Bonds Issued to Related Parties | 0 | 0 |
| **Reserves:** | | |
| Change in Unrealized Gain on Available-for-sale Financial Assets, Net of Deferred Taxes | 0 | 0 |
| Effects from Equity-related Recognition of Deferred Taxes | 0 | 0 |
| Foreign Currency Gains and Losses from Consolidation | 0 | 0 |
| Consolidated Net Loss for the Period | 0 | 0 |
| Comprehensive Income | 0 | 0 |
| **Balance as of 31 March 2013** | **23,358,228** | **23,358,228** |
| **Balance as of 1 January 2014** | **26,220,882** | **26,220,882** |
| Compensation Related to the Grant of Stock Options and Convertible Bonds | 0 | 0 |
| Exercise of Options and Convertible Bonds Issued to Related Parties | 0 | 0 |
| Repurchase Treasury Stock | 0 | 0 |
| **Reserves:** | | |
| Change in Unrealized Gain on Available-for-sale Financial Assets, Net of Deferred Taxes | 0 | 0 |
| Effects from Equity-related Recognition of Deferred Taxes | 0 | 0 |
| Effects from Equity-related Recognition of Current Taxes | 0 | 0 |
| Foreign Currency Gains and Losses from Consolidation | 0 | 0 |
| Consolidated Net Profit for the Period | 0 | 0 |
| Comprehensive Income | 0 | 0 |
| **Balance as of 31 March 2014** | **26,220,882** | **26,220,882** |

See accompanying Notes

| | Treasury Stock | | Additional Paid-in Capital | Revaluation Reserve | Translation Reserve | Accumulated Deficit / Income | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| | Shares | € | € | € | € | € | € |
| | **255,415** | **(3,594,393)** | **175,245,266** | **486,743** | **(1,109,865)** | **7,624,038** | **202,010,017** |
| | 0 | 0 | 1,061,547 | 0 | 0 | 0 | 1,061,547 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | (27,470) | 0 | 0 | (27,470) |
| | 0 | 0 | 0 | 28,098 | 0 | 0 | 28,098 |
| | 0 | 0 | 0 | 0 | 1,303,200 | 0 | 1,303,200 |
| | 0 | 0 | 0 | 0 | 0 | 7,855,577 | 7,855,577 |
| | 0 | 0 | 0 | 628 | 1,303,200 | 7,855,577 | 9,159,405 |
| | **255,415** | **(3,594,393)** | **176,306,813** | **487,371** | **193,335** | **15,479,615** | **212,230,969** |
| | **339,890** | **(6,418,018)** | **310,963,651** | **240,381** | **192,556** | **20,945,968** | **352,145,420** |
| | 0 | 0 | 779,038 | 0 | 0 | 0 | 779,038 |
| | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 111,000 | (7,833,944) | | | | | (7,833,944) |
| | 0 | 0 | 0 | 95,484 | 0 | 0 | 95,484 |
| | 0 | 0 | 0 | 48,690 | 0 | 0 | 48,690 |
| | 0 | 0 | 0 | (48,690) | 0 | 0 | (48,690) |
| | 0 | 0 | 0 | 0 | 20,662 | 0 | 20,662 |
| | 0 | 0 | 0 | 0 | 0 | 1,090,394 | 1,090,394 |
| | 0 | 0 | 0 | 95,484 | 20,662 | 1,090,394 | 1,206,540 |
| | **450,890** | **(14,251,962)** | **311,742,689** | **335,865** | **213,218** | **22,036,362** | **346,297,054** |

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

| For the Period Ended 31 March (in €) | Note | 2014 | 2013 |
|---|---|---|---|
| **Operating Activities:** | | | |
| Consolidated Net Profit | | 1,090,394 | 7,855,577 |
| **Adjustments to Reconcile Net Profit to Net Cash Used in / Provided by Operating Activities:** | | | |
| Depreciation and Amortization of Tangible and Intangible Assets | | 1,104,131 | 1,263,355 |
| Net Gain on Sales of Financial Assets | | (26,806) | (71,397) |
| Purchases of Derivative Financial Instruments | | (15,820) | (22,800) |
| Unrealized Net Loss on Derivative Financial Instruments | | 9,686 | 17,475 |
| Loss on Sale of Property, Plant and Equipment | | 15 | 3,383 |
| Net Gain on Sale of Assets and Liabilities of Disposal Group Classified as Held for Sale | | 0 | (8,000,389) |
| Recognition of Deferred Revenue | | (9,553,561) | (5,213,811) |
| Stock-based Compensation | 7 | 933,881 | 1,067,894 |
| Income Tax Expenses | | 516,109 | 1,044,154 |
| **Changes in Operating Assets and Liabilities:** | | | |
| Accounts Receivable | | 423,768 | 598,314 |
| Prepaid Expenses, Other Assets and Tax Receivables | | (6,255,727) | 911,726 |
| Accounts Payable and Accrued Expenses and Provisions | | (4,621,250) | (2,151,030) |
| Other Liabilities | | (386,243) | 177,104 |
| Deferred Revenue | | 9,423,248 | 8,333,333 |
| Interest Paid | | (3,749) | (1,849) |
| Interest Received | | 55,443 | 24,402 |
| Income Taxes Paid | | (439,736) | (66,233) |
| **Cash Used in / Provided by Operations** | | **(7,746,217)** | **5,769,208** |
| thereof from Continuing Operations | | (7,746,217) | 7,292,188 |
| thereof from Discontinued Operations | | 0 | (1,522,980) |

See accompanying Notes

| in € | Note | 2014 | 2013 |
|---|---|---|---|
| **Investing Activities:** | | | |
| Purchases of Financial Assets | | (28,291,947) | (50,991,188) |
| Proceeds from Sales of Financial Assets | | 23,085,777 | 8,178,007 |
| Purchase of Assets Classified as Loans and Receivables | 3 | (59,500,000) | (5,000,000) |
| Sale of Assets Classified as Loans and Receivables | | 57,000,000 | 0 |
| Purchases of Property, Plant and Equipment | | (1,200,445) | (196,407) |
| Additions to Intangibles | | (155,920) | (480,877) |
| Sale of Assets and Liabilities of Disposal Group Classified as Held for Sale | | 0 | 36,581,020 |
| **Net Cash Used in Investing Activities** | | **(9,062,535)** | **(11,909,445)** |
| thereof from Continuing Operations | | (9,062,535) | (48,490,465) |
| thereof from Discontinued Operations | | 0 | 36,581,020 |
| | | | |
| **Financing Activities:** | | | |
| Repurchase Treasury Stock | | (7,833,944) | 0 |
| **Net Cash Used in Financing Activities** | | **(7,833,944)** | **0** |
| thereof from Continuing Operations | | (7,833,944) | 0 |
| thereof from Discontinued Operations | | 0 | 0 |
| | | | |
| Effect of Exchange Rate Differences on Cash | | 19,266 | (3,872) |
| Decrease in Cash and Cash Equivalents | | (24,623,430) | (6,144,109) |
| **Cash and Cash Equivalents at the Beginning of the Period** | | **71,873,696** | **45,970,840** |
| thereof included in Cash and Cash Equivalents | | 71,873,696 | 40,689,865 |
| therof included in Assets of Disposal Group Classified as Held for Sale | | 0 | 5,280,975 |
| **Cash and Cash Equivalents at the End of the Period** | | **47,250,266** | **39,826,731** |

See accompanying Notes

# Notes (unaudited)

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 interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC), as applied by the European Union. 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 consolidated financial statements at the end of a financial year and therefore should be read in conjunction with the consolidated financial statements dated 31 December 2013.

The consolidated financial statements as of 31 March 2014 comprise MorphoSys AG, MorphoSys IP GmbH, Sloning BioTechnology GmbH, MorphoSys USA, Inc., and Poole Real Estate Ltd. (formerly Biogenesis UK Ltd.), collectively as the "Group".

As per 31 March 2014, Poole Real Estate Ltd. was in the process of liquidation. The liquidation was resolved by the shareholders and entered in the commercial register of the United Kingdom (Companies House) on 20 March 2014.

## 1 Accounting Policies

The accounting and valuation principles applied to the consolidated financial statements of 31 December 2013 were also applied to the first three months of 2014 and can be found on our website at www.morphosys.com/financial-reports. The following standards, which were mandatorily applicable for the first time with effect from 1 January 2014, are exceptions to this principle. The following explains the nature and effect of the new standards.

- IFRS 10 "Consolidated Financial Statements": This standard replaces the provisions for Group accounting contained in the previous IAS 27 "Consolidated and Separate Financial Statements" and includes issues which were previously regulated in SIC-12 "Consolidation – Special Purpose Entities". Thus, in the future, IAS 27 will only deal with provisions for separate financial statements and is referred to as "Separate Financial Statements". IFRS 10 introduces a single consolidation model for all entities on the basis of control. Control only exists when the following three criteria are cumulatively fulfilled: (a) an investor has control over the investee; (b) the investor has a risk exposure or rights to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of its returns from the investee. The first-time application of IFRS 10 has no impact on the consolidation of the Group's investments. Therefore, the scope of consolidation remains unchanged.
- IFRS 11 "Joint Arrangements": IFRS 11 introduces new accounting provisions for joint arrangements and replaces IAS 31 "Interests in Joint Ventures" and SIC -13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". A joint arrangement is defined as a contractual arrangement whereby two or more parties exercise joint control. IFRS 11 differentiates between just two types of joint arrangements –joint operations and joint ventures. The classification now adopts an economic approach, which is focused on the type of rights and obligations arising from the agreement. Jointly

controlled assets are abolished by IFRS 11. In addition, the previous option of applying the proportionate consolidation method for joint ventures was rescinded. In the future, these entities will be only included in the consolidated financial statements using the equity method. On 31 March 2014, the Group was not involved in any joint ventures and thus IFRS 11 does not apply to the MorphoSys Group.

- IFRS 12 "Disclosure of Interests in Other Entities": IFRS describes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associated companies, and structured entities. The disclosure requirements are more extensive than the requirements of the previous provisions. None of these disclosure requirements apply to condensed interim consolidated financial statements unless material events and transactions in the interim period require their disclosure. Consequently, the Group has made no such disclosures on 31 March 2014.
- Amendments to IFRS 10 "Consolidated Financial Statements ", IFRS 12 "Disclosure of Interests in Other Entities", and IAS 27 "Separate Financial Statements – Investment Entities": The amendments provide an exception to the consolidation requirement for entities that meet the requirements of an investment entity under IFRS 10. This exception requires that investment entities must be assessed at fair value through profit or loss. These changes have no impact on the Group since none of the Group companies are an investment entity within the meaning of IFRS 10.
- Amendments to the transitional provisions of IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", and IFRS 12 "Disclosure of Interests in Other Entities": The amendments clarify that the date of the first-time adoption of IFRS 10 is the first day of the financial year of the first-time adoption. Therefore, for the MorphoSys Group, this date is 1 January 2014. Moreover, the disclosure provisions included the notes under IFRS 12 have been amended.
- IAS 27 "Separate Financial Statements": IAS 27 (revised 2011) contains the remaining provisions applying to the separate financial statements following the inclusion of former IAS 27 provisions regarding consolidation in the new IFRS 10 "Consolidated Financial Statements". In addition, changes to IFRS 12 also have an impact on IAS 27. The Group companies do not prepare separate financial statements that comply with International Financial Reporting Standards. Thus, IAS 27 has no impact on companies of the MorphoSys Group.
- IAS 28 "Investments in Associates": IAS 28 (revised 2011) contains provisions regarding interests in joint ventures and associated entities that are being assessed solely using the equity method pursuant to IFRS 11. For the first time, additional amendments to IAS 28 provide that in the case of a planned partial sale of associated companies or joint ventures, the interest held for sale must be accounted for pursuant to IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" when the classification requirements of IFRS 5 are met. On 31 March 2014, the Group was not involved in any associated companies, and thus the first-time adoption of IAS 28 has no impact on the interim consolidated financial statements.
- IAS 32 "Financial Instruments – Presentation": IAS 32 governs the presentation and disclosure of all types of financial instruments. With the amendments to IAS 32 which took effect on 1 January 2014, the requirements for offsetting financial assets and financial liabilities have been adjusted. This adjustment did not result in any changes for the Group's balance sheet dated 31 March 2014.
- Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets": The inadvertently broad amendments to IAS 36, which were evoked by IFRS 13 with regard to disclosures on the recoverable amount of cash generating units, were corrected by the amendments to IAS 36. Thus, disclosures are only required in relation to the recoverable amount of impaired assets if the recoverable amount was determined on the basis of its fair value less costs to sell. Further amendments to IAS 36 also relate to disclosure requirements with regard to the fair value if the recoverable amount is based on the fair value less costs to sell. On 31 March 2014, the Group did not

have any impaired assets that were measured at fair value less costs to sell. Thus, the amendments to IAS 36 have no effect.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement": On 27 June 2013, the IASB adopted the "Novation of Derivatives and Continuation of Hedge Accounting", which are applicable for financial years beginning on or after 1 January 2014. As per 31 March 2014, the Group had not performed any novation for derivatives due to legal or regulatory requirements. Therefore, there is no impact on the Group.
- IFRIC 21 "Levies": The interpretation is applicable to all levies to a governmental institution under the legislation which do not represent payments in the scope of other standards (e.g., IAS 12 "Income Taxes"), fines, or other penalties for a violation of legal regulations. On 31 March 2014, or on any previous reporting dates, the Group was not obliged to pay any such levies. Therefore, this interpretation has no effect on the consolidated financial statements.

The Group has not applied any standard, interpretation or amendment in advance that was published, but not yet effective.

## 2 Segment Reporting

The MorphoSys Group applies IFRS 8 "Operating Segments". 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 presented with respect to the Group's operating segments. The operating segments are based on the management structure of the Group and the internal reporting structure. The segment results include items that can either be directly attributed to the individual segment or that can be allocated to the segments on a reasonable basis. Inter-segment pricing is determined on an arm's length basis according to a Group policy.

The Group consists of the following operating segments.

### PARTNERED DISCOVERY

MorphoSys possesses one of the leading technologies for the generation of therapeutics based on human antibodies. The Group markets this technology commercially via partnerships with numerous pharmaceutical and biotechnology companies. This segment encompasses all operational activities relating to these commercial agreements, as well as the majority of the technological development.

### PROPRIETARY DEVELOPMENT

This segment comprises all of the activities relating to the proprietary development of therapeutic antibodies. Presently, the activities of this segment comprise the clinical development of the proprietary program MOR208, the co-development of MOR202 with Celgene, as well as completion of the clinical development of MOR103 in multiple sclerosis within the licensing agreement with GSK. In addition, MorphoSys is pursuing additional programs in earlier stages in proprietary development or as co-development.

### ABD SEROTEC

Until the sale of substantially all of the AbD Serotec business to Bio-Rad came into effect on 10 January 2013, the AbD Serotec segment utilized the HuCAL technology for the tailored generation of research antibodies and generated revenues with catalogue antibodies and the production of antibodies in industrial quantities. With the disposal of substantially all of the segment, the quantitative and qualitative criteria of IFRS 8.12ff were no longer fulfilled so that this segment was no longer a reportable segment under IFRS 8.11. The results generated by the AbD Serotec segment until 10 January 2013 were shown within "Unallocated".

### CROSS-SEGMENT DISCLOSURES

In the case of cross-segment disclosures, segment revenues are based on the customers' geographical locations. Information on segment assets is based on the relevant location of the assets.

| For the Three Months Period Ended 31 March (in 000's €)* | Partnered Discovery 2014 | Partnered Discovery 2013 | Proprietary Development 2014 | Proprietary Development 2013 |
|---|---|---|---|---|
| External Revenues | 11,787 | 16,913 | 4,090 | 0 |
| Inter-segment Revenues | 0 | 0 | 0 | 0 |
| **Revenues, total** | **11,787** | **16,913** | **4,090** | **0** |
| Cost of Goods Sold | 0 | 0 | 0 | 0 |
| Other Operating Expenses | 4,837 | 6,082 | 6,723 | 5,553 |
| Inter-segment Costs | 0 | 0 | 0 | 0 |
| **Total Operating Expenses** | **4,837** | **6,082** | **6,723** | **5,553** |
| Other Income | 3 | 36 | 0 | 38 |
| Other Expenses | 75 | 0 | 0 | 0 |
| **Segment EBIT** | **6,878** | **10,867** | **(2,633)** | **(5,515)** |
| Finance Income | 0 | 0 | 0 | 0 |
| Finance Expenses | 0 | 0 | 0 | 0 |
| Other Income from Sale of Assets and Liabilities of Disposal Group Classified as Held for Sale | 0 | 0 | 0 | 0 |
| **Profit before Taxes** | **6,878** | **10,867** | **(2,633)** | **(5,515)** |
| Income Tax Expenses | 0 | 0 | 0 | 0 |
| Income Tax Expenses in connection with the Sale of Assets and Liabilities of the Disposal Group Classified as Held for Sale | 0 | 0 | 0 | 0 |
| **Consolidated Net Profit / (Loss)** | **6,878** | **10,867** | **(2,633)** | **(5,515)** |

* Differences due to rounding

| Unallocated | | Elimination | | Group | | thereof from Discontinued Operations | | thereof from Continuing Operations | |
|---|---|---|---|---|---|---|---|---|---|
| **2014** | **2013** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| 0 | 610 | 0 | 0 | 15,877 | 17,523 | 0 | 603 | 15,877 | 16,920 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **0** | **610** | **0** | **0** | **15,877** | **17,523** | **0** | **603** | **15,877** | **16,920** |
| 0 | 147 | 0 | 0 | 0 | 147 | 0 | 147 | 0 | 0 |
| 2,967 | 5,054 | 0 | 0 | 14,527 | 16,689 | 0 | 2,119 | 14,527 | 14,570 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **2,967** | **5,201** | **0** | **0** | **14,527** | **16,836** | **0** | **2,266** | **14,527** | **14,570** |
| 125 | 148 | 0 | 0 | 128 | 222 | 0 | 12 | 128 | 210 |
| 18 | 59 | 0 | 0 | 93 | 59 | 0 | 2 | 93 | 57 |
| **(2,860)** | **(4,502)** | **0** | **0** | **1,385** | **850** | **0** | **(1,653)** | **1,385** | **2,503** |
| 275 | 105 | 0 | 0 | 275 | 105 | 0 | 0 | 275 | 105 |
| 54 | 53 | 0 | 0 | 54 | 53 | 0 | 4 | 54 | 49 |
| 0 | 8,000 | 0 | 0 | 0 | 8,000 | 0 | 8,000 | 0 | 0 |
| **(2,639)** | **3,550** | **0** | **0** | **1,606** | **8,902** | **0** | **6,343** | **1,606** | **2,559** |
| 516 | 716 | 0 | 0 | 516 | 716 | 0 | 35 | 516 | 681 |
| 0 | 330 | 0 | 0 | 0 | 330 | 0 | 330 | 0 | 0 |
| **(3,155)** | **2,504** | **0** | **0** | **1,090** | **7,856** | **0** | **5,978** | **1,090** | **1,878** |

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

| For the Period Ended 31 March (in 000's €) | 2014 | 2013 |
|---|---|---|
| Germany | 0 | 4 |
| Other Europe and Asia | 11,601 | 16,361 |
| USA and Canada | 4,276 | 555 |
| **Total from Continuing Operations** | **15,877** | **16,920** |
| **Total from Discontinued Operations** | **0** | **603** |
| **Total** | **15,877** | **17,523** |

## 3 Financial Instruments

On 31 March 2014, an amount of € 193.7 million (31 December 2013: € 188.4 million) was invested in various money-market funds. A total of € 11.1 million (31 December 2013: € 11.1 million) was invested in government bonds (€ 6.1 million) and in two variable-interest money-market bonds (€ 5.0 million). These instruments were allocated to the category "available for sale" in accordance with IAS 39 "Financial Instruments".

On 31 March 2014, the Company held short-term financial assets within the line item “other receivables” in the amount of € 103.8 million (31 December 2013: € 119.3 million), which were allocated to the category "loans and receivables". This item included various investments amounting to € 99.1 million as well € 4.7 million of the purchase price for the divested AbD Serotec business held in an escrow account. On 31 March 2014, the Company also held long-term financial assets, which were allocated to the category "loans and receivables", in the amount of € 24.5 million (31 December 2013: € 0 million).

MorphoSys regularly enters into foreign curreny options and forward contracts to hedge foreign exchange exposure. As of 31 March 2014, three option contracts with a nominal value of US$ 3.2 million were outstanding (31 December 2013: no option contracts were outstanding). In the first quarter of 2014, unrealized losses from these contracts in the amount of € 9,686 were recognized in profit and loss.

## 4 Fair Value Measurement

MorphoSys uses the following hierarchy to determine and disclose the fair value of financial instruments.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

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

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, 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 upon quoted market prices (hierarchy Level 1, quoted prices in active markets). There were no financial assets or liabilities allocated to hierarchy Levels 2 or 3. There were no transfers from one fair value hierarchy level to another carried out in either 2014 or 2013.

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

| 31 March 2014 | Note | Loans and Receivables | Available-for-Sale | Other Financial Liabilities | Total Carrying Amount | Fair value |
|---|---|---|---|---|---|---|
| (in 000's €) | | | | | | |
| Cash and Cash Equivalents | | 47,250 | 0 | 0 | 47,250 | 47,250 |
| Accounts Receivable | | 9,847 | 0 | 0 | 9,847 | * |
| Forward Exchange Contracts Used for Hedging | | 6 | 0 | 0 | 6 | 6 |
| Other Receivables | 3 | 103,929 | 0 | 0 | 103,929 | 103,929 |
| Other Receivables, Net of Current Portion | 3 | 24,544 | 0 | 0 | 24,544 | 24,544 |
| Shares, Available-for-Sale, Net of Current Portion | | 0 | 1,727 | 0 | 1,727 | * |
| Available-for-sale Financial Assets | 3 | 0 | 193,693 | 0 | 193,693 | 193,693 |
| Bonds, Available-for-sale | 3 | 0 | 11,123 | 0 | 11,123 | 11,123 |
| | | **185,576** | **206,543** | **0** | **392,119** | **380,545** |
| Convertible Bonds - Liabilitiy Component | | 0 | 0 | (299) | (299) | (299) |
| Accounts Payable and Accrued Expenses | | 0 | 0 | (12,100) | (12,100) | (12,100) |
| | | **0** | **0** | **(12,399)** | **(12,399)** | **(12,399)** |

* Disclosure waived in accordance with IFRS 7.29 (a)

| 31 December 2013 | Note | Loans and Receivables | Available for Sale | Other Financial Liabilities | Total Carrying Amount | Fair value |
|---|---|---|---|---|---|---|
| (in 000's €) | | | | | | |
| Cash and Cash Equivalents | | 71,874 | 0 | 0 | 71,874 | 71,874 |
| Accounts Receivable | | 10,270 | 0 | 0 | 10,270 | * |
| Other Receivables | 3 | 119,458 | 0 | 0 | 119,458 | 119,458 |
| Shares, Available-for-Sale, Net of Current Portion | | 0 | 1,727 | 0 | 1,727 | * |
| Available-for-sale Financial Assets | 3 | 0 | 188,360 | 0 | 188,360 | 188,360 |
| Bonds, Available-for-sale | 3 | 0 | 11,102 | 0 | 11,102 | 11,102 |
| | | **201,602** | **201,189** | **0** | **402,791** | **390,794** |
| Convertible Bonds - Liabilitiy Component | | 0 | 0 | (299) | (299) | (299) |
| Accounts Payable and Accrued Expenses | | 0 | 0 | (17,190) | (17,190) | (17,190) |
| | | **0** | **0** | **(17,489)** | **(17,489)** | **(17,489)** |

* Disclosure waived in accordance with IFRS 7.29 (a)

## 5 Changes in Stockholder's Equity

### COMMON STOCK

On 31 March 2014, the Company's common stock amounted to € 26,220,882 (31 December 2013: € 26,220,882).

As of 31 March 2014, treasury stock increased from € 6,418,018 on 31 December 2013 to € 14,251,962 due to MorphoSys's repurchase of 111,000 of its own shares on the stock exchange at an average price of € 70.53 per share. The treasury stock may be used for all purposes named in the authorization of the Annual General Meeting of 19 May 2011, and especially for any existing or future employee participation schemes and/or to finance acquisitions. The shares may also, however, be redeemed.

### ADDITIONAL PAID-IN CAPITAL

On 31 March 2014, additional paid-in capital amounted to € 311,742,689 (31 December 2013: € 310,963,651). The increase of € 779,038 was due to personnel expenses resulting from share-based payments.

### REVALUATION RESERVE

On 31 March 2014, the revaluation reserve amounted to € 335,865 (31 December 2013: € 240,381). The increase of € 95,484 resulted from a change in unrealized gains from available-for-sale securities and bonds.

### TRANSLATION RESERVE

Compared to a sum of € 192,556 on 31 December 2013, the translation reserve changed by € 20,662 to € 213,218 as per 31 March 2014. This item included exchange differences arising from the revaluation of assets and liabilities held in foreign currencies on 31 December 2013, as well as differences between the exchange rates used in the balance sheet and those used in the income statement.

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

No stock options, convertible bonds, or performance shares were issued to the Management Board, the Senior Management Group, or the employees in the first three months of 2014.

## 7 Personnel Expenses Resulting from Share-Based Payments

Personnel expenses resulting from share-based payments totaling € 0.93 million were recognized in the income statement in the first three months of 2014 (Q1/2013: € 1.07 million). This amount comprised € 0.78 million in share-based payments settled with equity instruments, of which personnel expenses in the amount of € 0.36 million were related to performance shares from LTI programs. Further personnel expenses in the amount of € 0.15 million resulted from cash-settled share-based payments in connection with stock appreciation rights.

The decline in overall personnel expenses recognized is related to the modifications carried out in financial year 2013 of the LTI programs established in the years 2011 and 2012. For the 2011 LTI program, vesting periods were modified so that the beneficiaries' claims become vested by one quarter on a yearly basis. However, in the case of the 2012 LTI program, claims become vested on a pro-rata basis. With this modification, changes in the interpretation and development of labor law were taken into account. As a result of the modification, expenses are recognized comparatively earlier within the four-year period, resulting in a decrease of personnel expenses in 2014 compared to the previous year.

## 8 Directors' Dealings

The Group engages in commercial relationships with its Management Board and the members of its Supervisory Board as related parties. In addition to cash compensation, the Company has issued 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 Supervisory Board, as well as the changes in their ownership in the first three months of 2014.

**SHARES**

| | 01/01/14 | Additions | Forfeitures | Sales | 03/31/14 |
|---|---|---|---|---|---|
| **Management Board** | | | | | |
| Dr. Simon E. Moroney | 452,885 | 0 | 0 | 0 | 452,885 |
| Jens Holstein | 6,500 | 0 | 0 | 4,500 | 2,000 |
| Dr. Arndt Schottelius | 2,000 | 0 | 0 | 0 | 2,000 |
| Dr. Marlies Sproll | 27,370 | 0 | 0 | 0 | 27,370 |
| **Total** | **488,755** | **0** | **0** | **4,500** | **484,255** |
| **Supervisory Board** | | | | | |
| Dr. Gerald Möller | 9,000 | 0 | 0 | 0 | 9,000 |
| Dr. Walter Blättler | 2,019 | 0 | 0 | 0 | 2,019 |
| Dr. Daniel Camus | 0 | 0 | 0 | 0 | 0 |
| Dr. Marc Cluzel | 0 | 500 | 0 | 0 | 500 |
| Karin Eastham | 1,000 | 0 | 0 | 0 | 1,000 |
| Dr. Geoffrey N. Vernon | 0 | 0 | 0 | 0 | 0 |
| **Total** | **12,019** | **500** | **0** | **0** | **12,519** |

## STOCK OPTIONS

| | 01/01/14 | Additions | Forfeitures | Exercises | 03/31/14 |
|---|---|---|---|---|---|
| **Management Board** | | | | | |
| Dr. Simon E. Moroney | 0 | 0 | 0 | 0 | 0 |
| Jens Holstein | 0 | 0 | 0 | 0 | 0 |
| Dr. Arndt Schottelius | 0 | 0 | 0 | 0 | 0 |
| Dr. Marlies Sproll | 0 | 0 | 0 | 0 | 0 |
| **Total** | **0** | **0** | **0** | **0** | **0** |

## CONVERTIBLE BONDS

| | 01/01/14 | Additions | Forfeitures | Exercises | 03/31/14 |
|---|---|---|---|---|---|
| **Management Board** | | | | | |
| Dr. Simon E. Moroney | 147,186 | 0 | 0 | 0 | 147,186 |
| Jens Holstein | 90,537 | 0 | 0 | 0 | 90,537 |
| Dr. Arndt Schottelius | 93,537 | 0 | 0 | 0 | 93,537 |
| Dr. Marlies Sproll | 93,537 | 0 | 0 | 0 | 93,537 |
| **Total** | **424,797** | **0** | **0** | **0** | **424,797** |

## PERFORMANCE SHARES

| | 01/01/14 | Additions | Forfeitures | Exercises | 03/31/14 |
|---|---|---|---|---|---|
| **Management Board** | | | | | |
| Dr. Simon E. Moroney | 48,676 | 0 | 0 | 0 | 48,676 |
| Jens Holstein | 33,339 | 0 | 0 | 0 | 33,339 |
| Dr. Arndt Schottelius | 33,339 | 0 | 0 | 0 | 33,339 |
| Dr. Marlies Sproll | 33,339 | 0 | 0 | 0 | 33,339 |
| **Total** | **148,693** | **0** | **0** | **0** | **148,693** |

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

## 9 Transactions with Related Parties

With the exception of the transactions described under "Directors' Dealings", there were no further transactions carried out with related parties in the first three months of 2014.

On 31 March 2014, the Senior Management Group held 300,002 convertible bonds (31 December 2013: 300,002 units), 15,000 stock appreciation rights (SARs) (31 December 2013: 15,000 units), and 77,558 performance shares (31 December 2013: 77,558 units) which were granted by the Company. No further stock options, convertible bonds, stock appreciation rights or performance shares were issued to the Senior Management Group in the first three months of 2014.

## 10 Subsequent Events

On 1 April 2014, a new LTI program was granted to the Management Board and the Senior Management Group.

Until 25 April 2014, 80,250 convertible bonds from the 2010 program were exercised. As a result of these exercises after the Q1 reporting date, common stock increased by € 80,250.00 and additional paid-in capital increased by € 1,267,147.50.

No events occurred that require reporting over and above those mentioned.

# Imprint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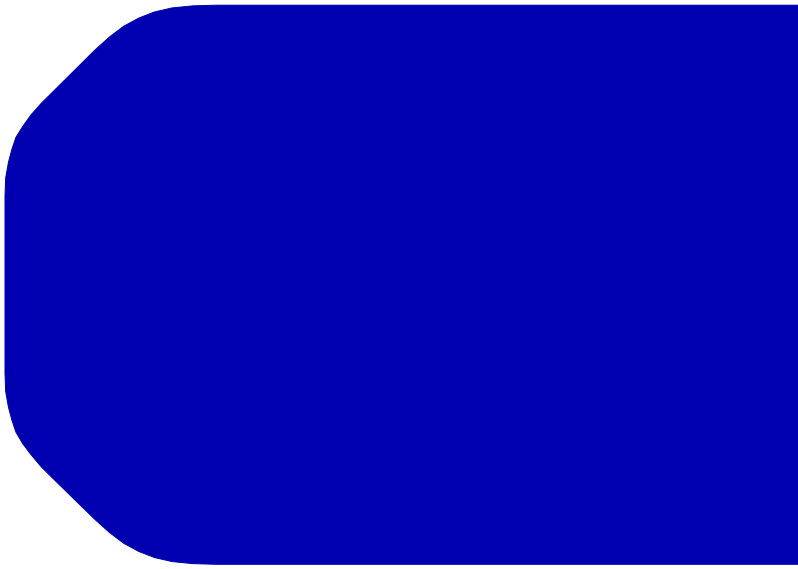
## 2014 Financial Calendar

| | |
|---|---|
| **28 FEBRUARY 2014** | PUBLICATION OF 2013 FINANCIAL RESULTS |
| **29 APRIL 2014** | PUBLICATION OF THREE MONTHS' REPORT 2014 |
| **23 MAY 2014** | 2014 ANNUAL GENERAL MEETING IN MUNICH |
| **28 JULY 2014** | PUBLICATION OF SIX MONTHS' REPORT 2014 |
| **07 NOVEMBER 2014** | PUBLICATION OF NINE MONTHS' REPORT 2014 |



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