

Financial Report for the
Quarterly Period Ended
March 31, 2007



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MorphoSys Group: Three Months' Financial Report 2007

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Dear Shareholders,

After strong performance in the year 2006, MorphoSys was able to continue its successful operational development in the first quarter of 2007.

Most importantly, MorphoSys has achieved several key strategic milestones in the Asian market. In March 2007, MorphoSys signed an agreement with Astellas Pharma Inc., which represents the third partnership with a major pharmaceutical group in Japan. Astellas is Japan's second largest ethical pharmaceutical company and also belongs to the top tier of the largest pharmaceutical companies in the world. By signing this license agreement, MorphoSys has further increased its market share in Asia and has expanded its roster of partnerships with the 20 largest pharmaceutical companies worldwide.

Additionally, MorphoSys entered into an alliance with a leading Japanese research institute and its Japanese marketing partner, Gene Frontier, in order to further increase the uptake of HuCAL antibodies in the research community. Within the scope of this collaboration, Japanese scientists will obtain high-throughput access to HuCAL antibodies for research purposes. In return, MorphoSys secures rights to develop any antibodies with therapeutic or diagnostic potential, against targets investigated by these researchers.

In the AbD segment, MorphoSys continued to make progress with the integration of the Serotec Group. As part of this process MorphoSys opened its new U.K. headquarters for this segment in Kidlington, North Oxford. The inauguration ceremony of the building in January was presided over by the UK Minister of State for Science and Innovation, Mr. Malcolm Wicks.

On behalf of my colleagues from the Management Board, I would like to thank you for your continued interest and support.



Dave Lemus
Chief Financial Officer
MorphoSys AG

Group Management Report Q1 2007

Industry Overview

Despite turbulence in the financial markets during the first quarter of 2007, the outlook for the economic trend remained positive, characterized by a favorable economic climate. In addition, the US economy performed better than expected, bolstered by declining energy prices.

M&A activities continued to play a large role in the biotech industry, and in particular, in the antibody space in which MorphoSys operates. In specific, the Japanese pharmaceutical company Eisai announced the acquisition of Morphotek, a US-based antibody company, and Roche bought Therapeutic Human Polyclonals (THP), its second antibody-driven acquisition in the recent past.

Overall biotech stock performance was positive against the backdrop of general market turmoil in February 2007 and the subsequent rebound in the German DAX stock index. European biotech stocks continued their outperformance in comparison to their US counterparts.

The MorphoSys share was up by 1% at the end of the first quarter 2007, underperforming the TecDAX, which was up by 13%. In the same time period, the Prime Biotechnology Index increased by 8% while the NASDAQ Biotechnology Index remained essentially unchanged.

Financial Analysis

Revenues

Compared to the same period in the previous year, revenues slightly decreased by 5% to € 14.1 million in the first three months of 2007 (March 31, 2006: € 14.8 million). The decrease is due to higher levels of milestone/success payments received in 2006 in the Therapeutic Antibody segment. Revenues arising from the Therapeutic Antibodies segment accounted for 62% or € 8.8 million of total revenues while the AbD segment generated 38% (€ 5.3 million) of the total.

Geographically, 42%, or € 5.9 million, of MorphoSys's commercial revenues were generated with biotechnology and pharmaceutical companies or non-profit organizations located in North America and 58%, or € 8.2 million, with companies located in Europe and Asia. This compares to 35% and 65%, respectively, in the same period of the prior year.

Therapeutic Antibodies Segment

Revenues arising from the Therapeutic Antibodies segment comprised € 7.2 million in funded research and licensing fees (2006: € 6.0 million) as well as € 1.6 million success-based payments (2006: € 3.9 million), representing 18% of total therapeutic revenues. Approximately 68% of therapeutic antibodies revenues and 42% of total revenues arose from the Company's three largest alliances with Novartis, Centocor and Pfizer (March 31, 2006: Novartis, Centocor and Roche, 72% and 48%, respectively).

Antibodies Direct – AbD Segment

Compared to the same period in the previous year, AbD segment's revenues increased by 8%, or € 0.4 million, to € 5.3 million in the first quarter 2007. The largest part of revenues (approx. 91%), or € 4.8 million, were generated with catalog and industrial customers, while custom manufacture antibodies contributed 9% or € 0.5 million.

As of March 31, 2007, orders in the amount of € 0.9 million were classified as backorders in the segment.

Operating Expenses

For the first three months of 2007, total operating expenses increased by 25% to € 12.8 million (March 31, 2006: € 10.2 million). The rise in operating expenses of € 2.6 million was impacted by R&D expenses increasing by 29% or € 1.1 million, S, G&A expenses increasing by 24% or € 1.0 million and cost of goods sold increasing by 29% or € 0.6 million. Total PPA effects on operating profit amounted to € 0.4 million compared to € 0.1 million in the same period of the prior year.

Stock-based compensation expenses are embedded in COGS, S, G&A and R&D expense amounts. Stock-based compensation for the first three months of 2007 amounted to € 0.4 million (March 31, 2006: € 0.3 million), and is a non-cash charge.

Cost of Goods Sold

Cost of goods sold (COGS) is composed of the AbD segment's cost of goods sold during the first quarter. COGS rose significantly to € 2.7 million in Q1 2007, compared to € 2.1 million in the same period of the prior year. This rise in COGS mainly resulted from higher sales levels during the current year, and from increased costs arising from the purchase price allocation in connection with the acquisition of Serotec, which were not included in Q1 2006. High levels of sales with industrial or bulk customers in the first quarter of 2007 further adversely influenced gross margins.

Research and Development Expenses

Costs for research and development increased by € 1.1 million to € 4.9 million (March 31, 2006: € 3.8 million) mainly due to expenses for product and technology development. The two proprietary products currently being internally developed by MorphoSys are MOR 103 and MOR 202.

Sales, General and Administrative Expenses

Sales, general and administrative expenses amounted to € 5.2 million compared to € 4.2 million in the same period of the previous year. This change was mainly impacted by higher personnel costs due to increased accruals for variable compensation and recruitment expenses as well as by increased expenses for infrastructure.

Cost by Expenditure Type

For the first three months of 2007, personnel costs amounted to € 4.6 million (March 31, 2006: € 3.9 million) or 36% of total operating expenses, thus representing the largest cost block within operating expenses in the first three months of 2007.

Material costs, representing the second-largest block by cost type, mainly consisted of consumables, materials and goods employed and accounted for € 2.3 million (March 31, 2006: € 1.6 million) or 18% of total expenses.

Expenses for external services mainly included external lab funding, consulting fees and marketing expenses and amounted to € 1.9 million (March 31, 2006: € 1.1 million) or 15% of total operating expenses.

Non-operating Items

Non-operating income amounted to € 0.2 million (March 31, 2006: income of € 0.2 million) and remained unchanged. Profit before taxes amounted to € 1.5 million (March 31, 2006: profit before taxes of € 4.9 million).

Taxes

Expenses for current and deferred taxes in the amount of € 1.0 million (March 31, 2006: zero) were recognized for the first three months of 2007. The deferred tax asset on tax loss carry-forwards established in 2006 was partially utilized in the first quarter of 2007, resulting in both current and deferred tax expenses for the quarter. These tax expenses were partly offset by the amortization of deferred tax liabilities recognized as a result of previous acquisitions, thus reducing total tax expenses by € 0.1 million for the first three months of 2007.

Operating Profit / Net Profit

Group operating profit amounted to € 1.3 million in the first three months of 2007 (March 31, 2006: € 4.7 million). Earnings before interest and taxes (EBIT) amounted to € 1.5 million, compared to an EBIT of € 4.9 million in the same period of the previous year.

A net profit after taxes of € 0.6 million was achieved for the first three months of 2007, compared to a net profit after taxes of € 4.9 million in the same period of 2006. The resulting basic net profit per share for the three months ended March 31, 2007, amounted to € 0.10 (three months ended March 31, 2006: net profit per share of € 0.79).

Liquidity / Cash Flows

Cash flow from operations amounted to € 5.2 million in the first three months of 2007 (March 31, 2006: € 10.0 million). Investing activities resulted in a cash outflow of € 0.2 million whereas the cash inflow from financing activities amounted to € 0.4 million.

As of March 31, 2007, the Company held € 72.0 million in cash, cash equivalents and available-for-sale financial assets, compared to a year-end 2006 balance of € 66.0 million.

Assets

Total assets rose by € 6.4 million to € 134.2 million as of March 31, 2007, compared to € 127.8 million as of December 31, 2006, mainly as a result of cash generated from operations and an increase in accounts receivable.

Liabilities

In the first three months of 2007, current liabilities increased from € 18.3 million as of December 31, 2006, to € 19.4 million. This change primarily arose from an increase in current deferred

revenue which was partly offset by a decrease in accounts payable. Deferred revenues rose due to payments deriving from contracts signed in the current and previous years.

During the first three months of 2007, an increase of total non-current liabilities by € 3.3 million to € 12.8 million was mainly impacted by non-current deferred revenues, resulting from contracts signed in current and previous years.

Equity

Total stockholders' equity amounted to € 102.0 million as of March 31, 2007, compared to € 100.1 million as of December 31, 2006.

As of March 31, 2007, the total number of shares issued amounted to 6,724,410, of which 6,697,678 were outstanding, compared to 6,715,322 and 6,686,160 as of December 31, 2006, respectively.

The increase of shares outstanding by 11,518 shares arose from the conversion of bonds issued to employees as well as from exercised options. In Q1 2007, 2,430 of the exercised options related to shares provided by treasury stock. Treasury shares were reduced, accordingly, amounting to 26,732 shares as of March 31, 2007.

Capital Expenditure

MorphoSys's investment in property, plant and equipment amounted to € 0.3 million for the three-month period ended March 31, 2007, and increased by € 0.1 million compared to the same period of the prior year. Depreciation of property, plant and equipment for the first three months of 2007 accounted for € 0.4 million, compared to € 0.3 million in the first quarter of 2006.

During the first three months of 2007, the Company invested € 0.3 million in intangible assets (March 31, 2006: € 0.1 million). Amortization of intangibles amounted to € 0.7 million and increased by € 0.2 million in comparison to the first three months of 2006, mainly due to the amortization of intangible assets acquired in the Serotec deal.

Human Resources

Number and Qualification of Employees

On March 31, 2007 the MorphoSys Group employed 297 people (December 31, 2006: 279). On average, the MorphoSys Group employed 291 people for the first three months of 2007 (Q1 2006: 251).

Of the 297 employees, 109 people were employed by the Serotec Group on March 31, 2007, and on average, 109 were employed.

Of the 297 employees, 169 worked in research and development and 128 in sales, general and administration. On March 31, 2007, 64 of MorphoSys's employees had a Ph.D. degree (December 31, 2006: 59).

Of the 297 employees, 169 worked for the Therapeutic Antibodies segment and 128 for the AbD segment.

On March 31, 2007, MorphoSys had one apprenticeship position (December 31, 2006: 1).

Changes in Supervisory Board

On March 26, 2007, MorphoSys announced that its current board member Prof. Dr. Andreas Plückthun intends to resign from the Supervisory Board with effect of May 16, 2007. Prof. Plückthun is leaving the board at his own request, in order to devote additional time to his increasing number of academic research programs at the University of Zurich, as well as to be able to pursue other entrepreneurial opportunities.

Legal Structure / Organization

As previously communicated, MorphoSys has streamlined its corporate structure in order to increase administrative efficiency.

To this end, in January 2007 Serotec Ltd. (Oxford, UK) and Serotec, Inc. (Raleigh, NC, USA), were renamed MorphoSys UK Ltd. and MorphoSys US, Inc., respectively, and Serotec GmbH (Dusseldorf, Germany) was renamed MorphoSys AbD GmbH. Furthermore, MorphoSys UK Ltd. (former Biogenesis Ltd.) was renamed Poole Real Estate Ltd.

The former Biogenesis Inc. was merged into the former Serotec Inc., and subsequently renamed MorphoSys US Inc. (as per above).

Quality Management

At the new premises of MorphoSys UK Ltd. at Endeavour House in Kidlington, North Oxford, an external audit of the ISO9001/2000 quality system has been completed and continued certification has been recommended. Subsequently, a new ISO9001/2000 certificate for MorphoSys UK Ltd. with the Endeavour House address was issued.

Business Development

The following new partnerships were established in the first quarter of 2007:

Therapeutic Antibodies Segment

MorphoSys Signed Third Japanese Pharmaceutical Alliance with Astellas

In March 2007, MorphoSys and Astellas Pharma Inc. (Tokyo, Japan) have entered into a license agreement for the use of MorphoSys's HuCAL technology. Under the terms of the agreement, MorphoSys grants Astellas access to the HuCAL GOLD antibody library for use in

its internal pharmaceutical drug discovery programs. In return, MorphoSys stands to receive an up-front payment and annual user fees. The agreement has a potential duration of up to five years.

AbD Segment

Technology Agreement with Thermo Fisher Scientific

AbD Serotec and Thermo Fisher Scientific Inc., signed an agreement in February 2007 covering the use of Thermo Scientific's DyLight Dyes in combination with AbD Serotec's research antibodies in order to prepare a series of fluorescent reagents. The resulting products will be available through the AbD Serotec sales catalog.

Antibody License Agreement with Medical Research Council

In March 2007, AbD Serotec has significantly expanded its license agreement with MRC Technology (MRCT), the technology transfer arm of Great Britain's Medical Research Council (MRC). The agreement, which provides AbD Serotec with access to a broad range of hybridoma cell lines as a source of research antibodies, is extended for a further five years, and includes additional products which will be implemented in AbD Serotec's offering.

Research & Development / Alliance Management

The following represents the progress made in existing collaborations throughout the first three months of 2007:

Expansion of Japanese Alliance with GeneFrontier Corporation

In January 2007, MorphoSys expanded its existing marketing alliance with its Tokyo-based partner GeneFrontier Corporation. The expanded collaboration now also covers the generation of HuCAL-derived fully human antibodies for proteome research and target validation together with a renowned Japanese research organization as well as commercialization of resulting antibody products. Under the terms of the agreement, GeneFrontier will utilize MorphoSys's HuCAL GOLD antibody library to generate novel HuCAL antibodies against targets provided by its collaboration partner. For this purpose, the HuCAL antibody technology was installed at GeneFrontier's research laboratories within a research facility in Tokyo. GeneFrontier will provide MorphoSys with financial compensation for access to the HuCAL technology. GeneFrontier and MorphoSys agreed to share commercialization rights for all antibodies discovered in this project against targets identified and validated by GeneFrontier with its partner.

Risk and Opportunity Report

The risks and opportunities have not changed materially compared to the situation described in the Annual Report 2006.

Outlook

The Company's most recent guidance was given in February 2007 and no changes have been announced on the occasion of the Q1 2007 press release.

The Company estimates full-year 2007 Group revenues between € 60 million and € 65 million, and an operating profit of € 7 million to € 10 million.

Consolidated Statements of Operations (IFRS) – unaudited

For the Period ended March 31,	Note	2007 €	2006 €
Revenues		14,119,759	14,841,856
Operating Expenses			
Cost of Goods Sold	2	2,721,020	2,098,924
Research and Development		4,862,543	3,831,392
Sales, General and Administrative		5,188,746	4,236,942
Total Operating Expenses		12,772,309	10,167,258
Profit from Operations		1,347,450	4,674,598
Interest Income		18,311	17,102
Interest Expense		2,966	32,726
Other Income, Net		183,465	240,187
Profit before Taxes		1,546,260	4,899,161
Income Tax Expense		906,186	-
Net Profit		640,074	4,899,161
Basic Net Profit per Share		0.10	0.79
Diluted Net Profit per Share		0.09	0.78
Shares Used in Computing Basic Net Profit per Share		6,694,281	6,202,620
Shares Used in Computing Diluted Net Profit per Share		6,804,872	6,315,988

See accompanying notes to the Consolidated Financial Statements.

Consolidated Balance Sheets (IFRS)

	Note	March 31, 2007 €	December 31, 2006 €
ASSETS			
Current Assets			
Cash and Cash Equivalents		9,432,158	3,765,320
Available-for-sale Financial Assets		62,535,501	62,260,552
Accounts Receivable		5,092,660	3,699,386
Other Receivables		163,063	110,734
Inventories, Net		3,397,750	3,511,405
Prepaid Expenses and Other Current Assets		2,458,806	2,096,991
Assets Classified as Held for Sale		654,940	664,108
Total Current Assets		83,734,878	76,108,496
Non-Current Assets			
Property, Plant and Equipment, Net		6,738,226	6,894,112
Patents, Net		1,844,509	1,950,154
Licenses, Net		7,491,067	7,776,374
Software, Net		409,389	243,813
Know-how and Customer Lists, Net		4,574,361	4,834,289
Goodwill		26,997,835	27,002,591
Deferred Tax Asset		723,605	1,455,723
Other Assets		1,682,875	1,577,570
Total Non-Current Assets		50,461,867	51,734,626
Total Assets		134,196,745	127,843,122

See accompanying notes to the Consolidated Financial Statements.

	Note	March 31, 2007 €	December 31, 2006 €
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable		7,565,409	10,455,799
Current Portion of Licenses Payable		130,735	126,382
Provisions and Tax Liabilities		1,247,962	1,082,042
Current Portion of Deferred Revenue		10,479,021	6,648,107
Total Current Liabilities		19,423,127	18,312,330
Non-Current Liabilities			
Provisions, Net of Current Portion		62,763	62,763
Deferred Revenue, Net of Current Portion		9,434,567	6,216,007
Convertible Bonds Due to Related Parties		83,780	38,371
Deferred Tax Liability		3,224,611	3,162,332
Total Non-Current Liabilities		12,805,721	9,479,473
Stockholders' Equity			
Common Stock, € 3.00 Par Value; Ordinary Shares Authorized (12,729,785 for 2007 and 2006, respectively) Ordinary Shares Issued (6,724,410 and 6,715,322 for 2007 and 2006, respectively) Ordinary Shares Outstanding (6,697,678 and 6,686,160 for 2007 and 2006, respectively)	3	20,163,419	20,135,263
Treasury Stock (26,732 and 29,162 shares for 2007 and 2006, respectively), at Cost			
Additional Paid-in Capital	3	124,591,538	123,878,001
Accumulated Other Comprehensive Income		1,896,148	1,359,948
Accumulated Deficit		(44,683,208)	(45,321,893)
Total Stockholders' Equity		101,967,897	100,051,319
Total Liabilities and Stockholders' Equity		134,196,745	127,843,122

See accompanying notes to the Consolidated Financial Statements.

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

	Common Stock	
	Shares	€
Balance as of January 1, 2006	6,025,863	18,077,589
Compensation Related to the Grant of Stock Options and Convertible Bonds	-	-
Exercise of Options and Convertible Bonds Issued to Related Parties	33,640	100,920
Capital Increase against Contribution in Kind, Net of Issuance Cost of € 20,785	208,560	625,680
Other Comprehensive Income:		
Change in Unrealized Gain on Available-for-sale Securities, Net of Deferred Tax	-	-
Foreign Currency Loss from Consolidation	-	-
Net Profit for the Period	-	-
Comprehensive Income	-	-
Balance as of March 31, 2006	6,268,063	18,804,189
Balance as of Januar 1, 2007	6,715,322	20,145,966
Result Incurred Through Restructuring of Affiliates	-	-
Compensation Related to the Grant of Stock Options and Convertible Bonds	-	-
Exercise of Options and Convertible Bonds Issued to Related Parties, Net of Issuance Cost of € 9,350	9,088	27,264
Exercise of Options from Treasury Stock Issued to Related Parties	-	-
Other Comprehensive Income:		
Change in Unrealized Gain on Available-for-sale Securities, Net of Deferred Tax	-	-
Effects from Equity-related Recognition of Deferred Taxes	-	-
Foreign Currency Gain from Consolidation	-	-
Net Profit for the Period	-	-
Comprehensive Income	-	-
Balance as of March 31, 2007	6,724,410	20,173,230

	Treasury Stock		Additional	Revaluation	Translation	Accumulated	Total Stock-
	Shares	€	Paid-in Capital	Reserve	Reserve	Deficit	holders' Equity
			€	€	€	€	€
	29,162	(10,703)	96,412,849	584,679	293,184	(51,349,827)	64,007,771
-	-	-	330,893	-	-	-	330,893
-	-	-	830,870	-	-	-	931,790
-	-	-	8,008,775	-	-	-	8,634,455
-	-	-	-	(159,970)	-	-	(159,970)
-	-	-	-	-	(213,224)	-	(213,224)
-	-	-	-	-	-	4,899,161	4,899,161
-	-	-	-	-	-	-	4,525,967
	29,162	(10,703)	105,583,387	424,709	79,960	(46,450,666)	78,430,876
	29,162	(10,703)	123,878,001	1,066,790	293,158	(45,321,893)	100,051,319
-	-	-	-	-	-	(1,389)	(1,389)
-	-	-	373,111	-	-	-	373,111
-	-	-	340,426	-	-	-	367,690
	(2,430)	892	-	-	-	-	892
-	-	-	-	501,616	-	-	501,616
-	-	-	-	(139,808)	-	-	(139,808)
-	-	-	-	-	174,392	-	174,392
-	-	-	-	-	-	640,074	640,074
	-	-	-	-	-	-	1,176,274
	26,732	(9,811)	124,591,538	1,428,598	467,550	(44,683,208)	101,967,897

Consolidated Statements of Cash Flows (IFRS) – unaudited

For the Period ended March 31,	Note	2007 €	2006 €
Operating Activities			
Net Profit		640,074	4,899,161
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities:			
Non-cash charges from PPA		138,969	43,530
Depreciation and Amortization of Tangible and Intangible Assets		1,069,651	778,848
Income Tax Benefit		(118,987)	(36,167)
Net Gain on Sales of Financial Assets		(13,570)	(477,044)
Unrealized Net (Gain) / Loss on Derivative Financial Instruments		(43,231)	81,232
Loss on Sale of Property, Plant and Equipment		6,756	5,725
Recognition of Deferred Revenue		(4,641,707)	(3,614,215)
Stock-Based Compensation		362,221	322,972
Changes in Operating Assets and Liabilities:			
Accounts Receivable		(1,414,368)	(2,662,142)
Prepaid Expenses and Other Assets		205,041	(546,862)
Accounts Payable and Provisions		(1,262,389)	2,576,402
Licenses Payable		4,353	42,828
Other Liabilities		(1,417,487)	(1,060,659)
Deferred Revenue		11,691,181	9,609,468
Cash Generated from Operations		5,206,507	9,963,077
Interest Paid		1,469	-
Net Cash Provided by Operating Activities		5,207,976	9,963,077

See accompanying notes to the Consolidated Financial Statements.

For the Period ended March 31,	Note	2007 €	2006 €
Investing Activities:			
Purchases of Financial Assets		-	(9,110,908)
Proceeds from Sales of Financial Assets		301,601	17,996,891
Purchases of Property, Plant and Equipment		(293,290)	(246,350)
Proceeds from Disposals of Property, Plant and Equipment		22,558	-
Additions to Intangibles		(264,727)	(54,557)
Acquisition of Serotec, Net of Cash Acquired		-	(20,772,149)
Net Cash Used in Investing Activities		(233,858)	(12,187,073)
Financing Activities:			
Proceeds from the Issuance of Equity		-	-
Proceeds from the Exercise of Options and Convertible Bonds Granted to Related Parties		377,932	931,790
Net of Proceeds and Payments from the Issuance of Convertible Bonds Granted to Related Parties		45,409	29,070
Purchases of Derivative Financial Instruments		(91,500)	(93,650)
Proceeds from the Disposal of Derivatives		83,375	-
Net Cost of Share Issuance		(9,350)	-
Net Cash Provided by Financing Activities		405,866	867,210
Effect of Exchange Rate Differences on Cash		286,854	(10,628)
Decrease in Cash and Cash Equivalents		5,666,838	(1,367,414)
Cash and Cash Equivalents at the Beginning of the Period		3,765,320	4,017,029
Cash and Cash Equivalents at the End of the Period		9,432,158	2,649,615

See accompanying notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements - unaudited

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

The consolidated financial statements for the period ended March 31, 2007, include MorphoSys AG, MorphoSys IP GmbH, MorphoSys USA, Inc., MorphoSys UK Ltd., (former Serotec Ltd.), MorphoSys US, Inc., (former Serotec, Inc.), MorphoSys AbD GmbH (former Serotec GmbH), Oxford Biotechnology Ltd., and Poole Real Estate Ltd. (former Biogenesis UK Ltd.), together referred to as the "Group".

1 Changes in Accounting Policies

The accounting policies applied for the financial statements as of December 31, 2006 have been used throughout the first three months 2007, except for the following changes:

Basis of Consolidation

All business combinations are accounted for using the purchase method according to IFRS 3 "Business Combinations", whereby identifiable assets and liabilities assumed are measured initially at their fair value. Any excess of the purchase price over the amounts allocated is recognized as goodwill. The goodwill is subject to a regular review for possible impairment. In January 2007, the accounting for the purchase price allocation in connection with the Serotec acquisition – hitherto only provisional – had been completed according to IFRS 3.62.

2 Segment Reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services and is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group consists of the following main business segments:

Therapeutic Antibodies

MorphoSys possesses one of the leading technologies in the generation of human antibody therapeutics and bespoke antibody research projects. The Company makes use of its technology in collaborations with internationally renowned pharmaceutical and biotech companies.

AbD – Antibodies Direct

The research antibodies business leverages MorphoSys's core technological capabilities in the design and manufacture of antibodies for research purposes. It commercializes HuCAL technology focusing on the custom generation of research antibodies for partners on an individual basis.

Geographical Segments

In presenting information on the basis of geographical segments, segment revenues are based on the geographical location of the customers.

For the Period Ended March 31, (in 000's €)	Therapeutic Antibodies		AbD		Unallocated		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
Revenues	8,769	9,961	5,351	4,881	-	-	14,120	14,842
Cost of Goods Sold	-	-	2,721	2,099	-	-	2,721	2,099
Segment Result	3,726	5,755	(465)	398	(1,913)	(1,478)	1,348	4,675
Interest Income							18	17
Interest Expense							3	33
Other Income, Net							183	240
Profit before Taxes							1,454	4,899
Income Tax Expense							906	0
Net Profit							640	4,899

The following table shows the split of the Company's consolidated sales by geographical markets:

For the Period ended March 31, (in 000's €)	2007	2006
Europe and Asia	7,885	9,683
U.S.A. and Canada	5,884	5,120
Other	351	39
Total	14,120	14,842

3 Changes in Stockholders' Equity

Common Stock

On March 31, 2007, the common stock of the Company was € 20,173,230 (December 31, 2006: € 20,145,966). Through the conversion and exercise of 9,088 convertible bonds and options issued to management and employees, common stock increased by € 27.264 in the first three months of 2007.

Additional Paid-in Capital

On March 31, 2007, Additional Paid-in Capital amounted to € 124,591,538 (December 31, 2006: € 123,878,001). The total increase of € 713,537 is due to stock-based compensation provisions in the amount of € 373,111 and an increase of € 340,426 arose from exercise and conversion of convertible bonds and stock options issued to related parties.

4 Changes in Convertible Bonds

In the first quarter of 2007, convertible bonds were granted under the 2002 Plan with terms identical to the 2002 convertible bonds grants. On January 15, 2007, 13,873 convertible bonds were granted to Management Board members and 38,945 convertible bonds were granted to employees of MorphoSys AG.

5 Directors' Dealings

The table below shows the shares, stock options and convertible bonds as well as the changes of ownership of the same, which were held by the Management Board and the Supervisory Board during the first three months of 2007:

Shares

	01/01/07	Additions	Forfeitures	Sales	31/03/07
Management Board					
Dr. Simon E. Moroney	113,461	-	-	-	113,461
Dave Lemus	-	-	-	-	-
Dr. Marlies Sproll *	35	-	-	-	35
Total	113,496	-	-	-	113,496
Supervisory Board					
Dr. Gerald Möller	2,500	-	-	-	2,500
Prof. Dr. Jürgen Drews **	-	2,430	-	-	2,430
Dr. Daniel Camus	-	-	-	-	-
Dr. Metin Colpan	-	-	-	-	-
Prof. Dr. Andreas Plückthun	59,300	-	-	-	59,300
Dr. Geoffrey N. Vernon	-	-	-	-	-
Total	61,800	2,430	-	-	64,230

*) Bought by Dr. Sproll prior to election to the Management Board

**) Prof. Dr. Drews exercised his options and held the shares received

Stock Options

	01/01/07	Additions	Forfeitures	Exercises	31/03/07
Management Board					
Dr. Simon E. Moroney	83,000	-	-	-	83,000
Dave Lemus	48,000	-	-	-	48,000
Dr. Marlies Sproll	26,250	-	-	-	26,250
Total	157,250	-	-	-	157,250
Supervisory Board					
Dr. Gerald Möller	-	-	-	-	-
Prof. Dr. Jürgen Drews **	2,430	-	-	2,430	-
Dr. Daniel Camus	-	-	-	-	-
Dr. Metin Colpan	-	-	-	-	-
Prof. Dr. Andreas Plückthun	-	-	-	-	-
Dr. Geoffrey N. Vernon	-	-	-	-	-
Total	2,430	-	-	2,430	-

**) Prof. Dr. Drews exercised his options and held the shares received

Convertible Bonds

	01/01/07	Additions	Forfeitures	Exercises	31/03/07
Management Board					
Dr. Simon E. Moroney	5,699	5,549	-	-	11,248
Dave Lemus	4,749	4,624	-	-	9,373
Dr. Marlies Sproll	3,800	3,700	-	-	7,500
Total	14,248	13,873	-	-	28,121
Supervisory Board					
Dr. Gerald Möller	-	-	-	-	-
Prof. Dr. Jürgen Drews	-	-	-	-	-
Dr. Daniel Camus	-	-	-	-	-
Dr. Metin Colpan	-	-	-	-	-
Prof. Dr. Andreas Plückthun	-	-	-	-	-
Dr. Geoffrey N. Vernon	-	-	-	-	-
Total	-	-	-	-	-

6 Transactions with Related Parties

In July 2006, the Company entered into consulting agreements with the member of the Supervisory Board Prof. Dr. Andreas Plückthun and a further scientist of the University of Zurich, Switzerland. According to the agreements, the consultants shall provide consulting services in the antibody and scaffold field.

Imprint

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