

1st Interim Report
January – March 2008



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MorphoSys Group: Three Months' Financial Report 2008

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Dear Shareholders,

After a strong performance in the year 2007, MorphoSys continued its strong operational performance in both business segments in the first quarter of 2008. MorphoSys revenues in the first quarter increased by 16% and operating profit approximately tripled, compared to the same period of the prior year.

In our Therapeutic Antibodies segment, significant progress was made both on the partnered and proprietary side of the business. With regard to our proprietary pipeline, we advanced our lead program MOR103 according to plan. Following the CTA filing in December 2007, we received approval from Dutch authorities within six weeks. In the interim, a phase 1 trial has been initiated; the first dosing regimen is completed. Thereby the drug candidate has become the fifth HuCAL antibody in the clinic. Early in 2008, we announced that the underlying target molecule is granulocyte macrophage-colony stimulating factor, also known as GM-CSF. At the same time, we disclosed an exclusive in-licensing agreement on a fundamental U.S. patent application involving GM-CSF as a means of treating inflammatory diseases. We expect this license to allow MorphoSys an exclusive position on marketing rights for therapeutic antibodies targeting GM-CSF in the U.S., the largest market for arthritis treatment.

On the partnered side of our therapeutic business, we saw the extension of two alliances with leading pharmaceutical companies in Japan, more specifically, Astellas and Daiichi Sankyo. Both companies decided to continue our partnerships thereby securing access to our technology using pre-existing options to extend the contract till 2012 and 2011, respectively.

Looking at our Research Antibodies segment AbD, we signed a strategic marketing alliance with Sigma Aldrich, one of the largest suppliers for research tools. This alliance is aimed at further increasing our ability to reach customers for this service and market HuCAL antibodies. In March 2008, AbD secured one of its largest ever research antibody order from Spanish biotechnology company Proteomika.

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



Dave Lemus
Chief Financial Officer
MorphoSys AG

Interim Group Management Report: January 1 – March 31, 2008

Industry Overview

The demand for antibodies continues to be strong. In the wake of MorphoSys's significant alliance with Novartis, the industry recorded several antibody-related deals including Sanofi-Aventis in-licensing deal with Dyax Corp. Product development-related newsflow was mixed with positive phase 3 clinical data for Amgen's therapeutic antibody denosumab to treat postmenopausal osteoporosis while Pfizer discontinued a phase 3 clinical trial for its anti-CTLA4 therapeutic antibody tremelimumab to treat advanced melanoma. With regard to product approvals, the European Medicines Agency (EMA) Committee for Medicinal Products for Human Use has upheld a negative opinion on the marketing authorization application for UCB's therapeutic antibody fragment Cimzia for Crohn's disease, a chronic inflammatory disease. In contrast, the FDA approved Genentech's humanized antibody Avastin in breast cancer.

MorphoSys Share Price Performance

Against the backdrop of the continuing effects of the U.S. credit crisis, which weighed heavily on overall market sentiment, biotech stocks were under pressure in the first quarter of 2008. The NASDAQ Biotechnology Index decreased by 9%, the Prime Biotechnology Index, which will be replaced by the DAXsubsector Biotechnology Performance Index, by 13%, and the TecDax by 21%. Over the quarter, MorphoSys share value decreased by 17%. By comparison, a basket of international antibody companies (Source: BioCentury) also declined by 7%.

Financial Analysis

Revenues

Compared to the same period in the previous year, Group revenues increased by 16% to € 16.3 million in the first three months of 2008 (Q1 2007: € 14.1 million). This increase is due to higher levels of funded research and licensing fees. Revenues arising from the Therapeutic Antibodies segment accounted for 74% or € 12.0 million (Q1 2007: € 8.8 million) of total revenues while the AbD segment (including the compensatory fee resulting from the revenue sharing agreement) generated 26% (€ 4.3 million) of the total (Q1 2007: € 5.3 million).

Geographically, 20%, or € 3.2 million, of MorphoSys commercial revenues were generated with biotechnology and pharmaceutical companies or non-profit organizations located in North America and 80%, or € 13.1 million, with companies located mainly in Europe and Asia. This compares to 42% and 58%, respectively, in the same period of the prior year, in part reflecting the increasing importance of Novartis partnership to Company revenues and increasing amounts arising from Japanese partnerships.

Therapeutic Antibodies Segment

Revenues arising from the Therapeutic Antibodies segment comprised € 10.7 million in funded research and licensing fees (Q1 2007: € 7.2 million) as well as € 1.3 million success-based payments (Q1 2007: € 1.6 million), representing 11% of total therapeutic antibodies revenues. Approximately 87% of therapeutic antibodies revenues and 64% of total revenues arose from the Company's three largest alliances with Novartis, Daiichi Sankyo and Pfizer (Q1 2007: Novartis, Centocor and Pfizer, 68% and 42%, respectively).

Assuming constant foreign exchange rates at the average rate of 2007, revenues in the Therapeutic Antibodies segment would have remained unchanged at € 12.0 million.

Antibodies Direct – AbD Segment

Compared to the same period in the previous year, AbD segment's revenues decreased by 19%, or € 1.0 million, to € 4.3 million in 2008 (Q1 2007: € 5.3 million). The largest part of revenues (approx. 84% or € 3.6 million), was generated with catalog and industrial customers, while custom manufacture antibodies contributed 16% or € 0.7 million.

Assuming constant foreign exchange rates at the average rate for 2007, revenues in the AbD segment would have amounted to € 4.6 million.

As of March 31, 2008, orders in the amount of € 0.8 million were classified as backorders in the segment (March 31, 2007: € 0.9 million).

Operating Expenses

Compared to the first three months of 2007, total operating expenses decreased by 5% to € 12.2 million in Q1 2008 (Q1 2007: € 12.8 million). The decline in operating expenses of € 0.6 million was mainly impacted by cost of goods sold (COGS) decreasing from € 2.7 million to € 1.7 million which effect was partly offset by research and development (R&D) expenses increasing by 8% or € 0.4 million whereas sales, general and administrative (S, G&A) expenses remained essentially unchanged at € 5.2 million. Total purchase price allocation (PPA) effects on operating profit amounted to € 0.2 million (Q1 2007: € 0.4 million).

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 2008 amounted to € 0.3 million (Q1 2007: € 0.4 million) and is a non-cash charge.

Cost of Goods Sold

COGS is composed of the AbD segment's cost of goods sold in the first three months of 2008 and – compared to the same period of the prior year – decreased from € 2.7 million to € 1.7 million. The decline in COGS is mainly a result of lower sales levels. Additionally, inventories identified in connection with the PPAs for the Biogenesis and Serotec acquisitions are now fully depreciated. Therefore, depreciation of inventories did not impact COGS as in the comparable period of the previous year.

Research and Development Expenses

Expenses for research and development increased by € 0.4 million to € 5.3 million (Q1 2007: € 4.9 million) mainly due to higher personnel costs (Q1 2008: € 2.4 million; Q1 2007: € 1.9 million) and increased costs for intangibles (Q1 2008: € 1.4 million; Q1 2007: € 1.0 million) which were

partly offset by a decrease in costs for external services (Q1 2008: € 0.3 million; Q1 2007: € 0.8 million). The two proprietary products currently being internally developed by MorphoSys are MOR103 and MOR202.

In the first three months of 2008, the Company incurred costs for proprietary product development and technology development in the amount of € 0.8 million and € 0.3 million, respectively (Q1 2007: € 1.0 million and € 0.2 million, respectively).

Sales, General and Administrative Expenses

Compared to the same period of the previous year, sales, general and administrative expenses remained almost unchanged at € 5.2 million.

Cost by Expenditure Type

In the first three months of 2008, personnel costs (excluding stock-based compensation) amounted to € 5.1 million (Q1 2007: € 4.6 million) or 42% of total operating expenses, thus representing the largest cost block within operating expenses.

Costs for intangibles, representing the second-largest block by cost type, accounted for € 2.0 million (Q1 2007: € 1.6 million) or 16 % of total operating expenses and mainly consisted of expenses for licenses (Q1 2008: € 0.9 million; Q1 2007: € 0.8 million), amortization of licenses capitalized (Q1 2008: € 0.6 million; Q1 2007: € 0.3 million) as well as amortization of intangible assets identified in connection with the PPAs for Biogenesis and Serotec (Q1 2008: € 0.2 million; Q1 2007: € 0.2 million).

Expenses for external services amounted to € 1.6 million (Q1 2007: € 1.9 million) or 13% of total operating expenses and mainly included consulting fees (Q1 2008: € 0.7 million; Q1 2007: € 0.6 million) and external lab funding (Q1 2008: € 0.2 million; Q1 2007: € 0.8 million).

Non-operating Items

For the first three months of 2008, non-operating income amounted to € 0.6 million (Q1 2007: € 0.2 million) and mainly changed as a result of increased interest income, increased gains from marketable securities and gains from foreign exchange derivatives. Profit before taxes amounted to € 4.7 million (Q1 2007: € 1.5 million).

Taxes

For the first three months of 2008, the Company reported income tax expenses in the amount of € 1.4 million. This line item mainly included deferred tax expenses (€ 0.9 million) from the release of deferred tax assets capitalized in 2007, and current tax expenses (€ 0.6 million). These tax expenses were partly offset by deferred tax income (€ 0.1 million) resulting from the amortization of deferred tax liabilities in connection with previous acquisitions.

Operating Profit / Net Profit

Group operating profit for the first quarter of 2008 amounted to € 4.1 million (Q1 2007: € 1.3 million). Earnings before interest and taxes (EBIT) amounted to € 4.3 million, compared to an EBIT of € 1.5 million in the first three months of the previous year. The Therapeutic Antibodies segment accounted for an operating profit of € 6.1 million (Q1 2007: € 3.7 million) whereas the operating profit for the AbD segment amounted to € 0.04 million (Q1 2007: loss € 0.5 million).

A net profit after taxes of € 3.3 million was achieved in the first three months of 2008, compared to a net profit after taxes of € 0.6 million in the first quarter of 2007. The resulting basic net profit per share for Q1 2008 amounted to € 0.44 (Q1 2007: € 0.10).

Liquidity / Cash Flows

Cash inflow from operations in the first three months of 2008 amounted to € 4.0 million (Q1 2007: € 5.2 million). Investing activities resulted in a cash outflow of € 17.9 million (Q1 2007: € 0.2 million) whereas the cash inflow from financing activities amounted to € 0.4 million (Q1 2007: € 0.4 million).

As of March 31, 2008, the Company held € 111.8 million in cash, cash equivalents and available-for-sale financial assets, compared to a year-end 2007 balance of € 106.9 million. Funds were held with three high-quality financial institutions, predominantly in short-term maturity money funds and short-term deposit accounts.

Assets

Total assets rose by € 2.2 million to € 186.9 million as of March 31, 2008, compared to € 184.7 million as of December 31, 2007. Current assets increased by € 4.6 million mainly as a result of the purchase and valuation of available-for-sale financial assets (€ 18.3 million) which was partly offset by the decrease in cash and cash equivalents by € 13.4 million.

Compared to December 31, 2007, non-current assets decreased by € 2.4 million mainly as a consequence of the amortization of deferred tax assets capitalized in 2007 (€ 0.9 million) as well as of the amortization of licenses (€ 0.6 million) and know-how and customer lists (€ 0.4 million).

Liabilities

In the first three months of 2008, current liabilities decreased from € 29.4 million as of December 31, 2007, to € 21.1 million as of March 31, 2008. This change primarily arose from a decrease in accounts payable (€ 5.4 million) as a result of payments after the year end 2007 balance sheet date as well as from a decrease in current deferred revenue (€ 3.1 million) due to the realization of revenues in the first three months of 2008.

Non-current liabilities increased by € 6.8 million to € 16.6 million in the first quarter of 2008 which was mainly impacted by an increase in non-current deferred revenue resulting from contracts signed in the current year and in previous years.

Equity

Total stockholders' equity amounted to € 149.1 million as of March 31, 2008, compared to € 145.5 million as of December 31, 2007.

As of March 31, 2008, the total number of shares issued amounted to 7,413,703, of which 7,386,971 were outstanding, compared to 7,386,753 and 7,360,021 as of December 31, 2007, respectively.

The increase of shares outstanding by 26,950 shares arose from the conversion of bonds as well as from exercised options issued to members of the Management Board and to employees.

In March 2008, Dr. Simon Moroney, MorphoSys's CEO, exercised 22,000 stock options and presently holds the underlying shares.

Capital Expenditure

MorphoSys's investment in property, plant and equipment amounted to € 0.2 million for the three-month period ended March 31, 2008, and decreased 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 2008 accounted for € 0.4 million, compared to € 0.4 million in the first quarter of 2007.

During the first three months of 2008, the Company invested € 0.1 million in intangible assets (Q1 2007: € 0.3 million). Amortization of intangibles amounted to € 0.9 million and increased by € 0.2 million in comparison to the first three months of 2007, mainly due to the amortization of license fees.

Human Resources

Number and Qualification of Employees

On March 31, 2008 the MorphoSys Group employed 294 people (December 31, 2007: 295). On average, the MorphoSys Group employed 294 people for the first three months of 2008 (Q1 2007: 291).

Of the 294 employees, 105 people were employed in MorphoSys's subsidiaries on March 31, 2008, and on average, 105 were employed.

Of the 294 employees, 166 worked in research and development and 128 in sales, general and administration. On March 31, 2008, 74 of MorphoSys's employees had a Ph.D. degree (December 31, 2007: 75).

Of the 294 employees, 170 worked for the Therapeutic Antibodies segment and 124 for the AbD segment.

On March 31, 2008, MorphoSys had two apprenticeship position (December 31, 2007: 2).

Business Development

The following new partnerships were established or extended in the first quarter of 2008:

Therapeutic Antibodies Segment

In December 2007, MorphoSys signed a broad strategic collaboration with Novartis, thereby making Novartis MorphoSys's largest partner for HuCAL-based drug discovery. However, MorphoSys continues to work closely with its other existing partners, whose collaborations will run their course over the duration of the respective agreements. A number of these partners, namely Astellas, Daiichi Sankyo, OncoMed and Schering-Plough, had or have the ability to extend the collaboration term using pre-existing options. In addition, MorphoSys continues to grant therapeu-

tic licenses to all partners that still have the potential to initiate new HuCAL-based antibody development programs in line with its existing target-exclusive licensing model.

The following represents the progress made in existing collaborations throughout the first three months of 2008:

Expansion of Japanese Alliance with Astellas Pharma and Daiichi Sankyo

In February and March 2008, MorphoSys announced that Astellas Pharma Inc. and Daiichi Sankyo Inc., Japan's leading pharmaceutical companies, have triggered their pre-existing options to extend their current collaboration with MorphoSys.

The collaboration with Astellas, originally signed in March 2007, will now run its full term. Under the agreement, which is now extended for four more years until March 2012, Astellas will continue to have access to MorphoSys's proprietary antibody library HuCAL GOLD at its research site in Tsukuba, Japan. Furthermore, the extension includes an option for Astellas to develop and commercialize HuCAL-derived therapeutic antibodies, in which case MorphoSys would receive exclusive license fees, milestone payments as well as royalties. Under the extended agreement, MorphoSys continues to receive annual user fees for access to its HuCAL platform.

The collaboration with Daiichi Sankyo, originally signed in March 2006, was to end in March 2008. Under the agreement, which is now extended for up to three more years until March 2011, Daiichi Sankyo will continue to have access to MorphoSys's proprietary antibody library HuCAL GOLD at its research site in Tokyo. Furthermore, the extension includes an option for Daiichi Sankyo to develop and commercialize up to six HuCAL-derived therapeutic antibodies, in which case MorphoSys would receive exclusive license fees, milestone payments as well as royalties. Today, the collaboration encompasses one active therapeutic antibody program. The extension triggers an additional payment from Daiichi Sankyo and results in increased research funding for MorphoSys. Furthermore, under the extended agreement, MorphoSys continues to receive annual user fees for access to its HuCAL platform.

Agreement for Production of Antibody Material in MOR202 Program

In March 2008, MorphoSys announced the signing of a PER.C6[®] license agreement with Dutch biotechnology company Crucell N.V. and its technology partner DSM Biologics. This license agreement allows MorphoSys to use the PER.C6[®] cell line in the production of clinical-grade material for the development of its proprietary therapeutic cancer antibody program MOR202.

AbD Segment

Collaboration and Licensing Agreement with Sigma-Aldrich

In February 2008, MorphoSys and Sigma-Aldrich announced a collaboration agreement to design, produce and distribute unique recombinant research antibodies using MorphoSys's proprietary HuCAL GOLD technology. MorphoSys's AbD Serotec business unit will develop and qualify unique antibodies from MorphoSys's proprietary HuCAL GOLD library against a committed number of targets identified and supplied by Sigma-Aldrich. Sigma-Aldrich will offer the HuCAL-based recombinant research antibodies for use in research applications through its powerful and unique online sales platforms Antibody Explorer[™] and Your Favorite Gene Search[™].

AbD Serotec Receives Large Research Antibody Order from Proteomika

In March 2008, MorphoSys announced that its AbD Serotec business unit received a multiple research antibody order from Proteomika SL, a Spanish biotechnology company specializing in biomarker discovery. Proteomika ordered novel HuCAL-based research antibodies against a broad range of target molecules in addition to the production of antigen material at AbD Serotec. The order ranks Proteomika among the largest customers for custom monoclonals services provided by AbD Serotec.

Research & Development / Alliance Management

Progress Proprietary Pipeline

MOR103

In January 2008, MorphoSys announced an agreement with the University of Melbourne providing MorphoSys with exclusive access to rights covering the use of inhibitors of GM-CSF under a U.S. patent application and its progeny. MorphoSys believes that the University of Melbourne's patent applications, once allowed, will lead to market exclusivity for therapeutic antibodies targeting GM-CSF for anti-inflammatory indications in the U.S., which represents the lion's share of the total rheumatoid arthritis (RA) market. In 2004, the market for biopharmaceuticals to treat RA amounted to US\$ 6 billion worldwide and is expected to further increase to US\$ 14 billion in 2009. The University of Melbourne receives an upfront payment, milestone payments associated with clinical development and royalty payments based on net sales of products in the U.S. In addition to the intellectual property rights secured under the agreement with the University of Melbourne, MorphoSys has filed additional patent applications on the antibodies it has generated in its MOR103 program.

In February 2008, MorphoSys announced that the regulatory authorities in the Netherlands have approved the clinical trial application (CTA) to initiate a phase 1 study of the HuCAL-derived antibody MOR103. MorphoSys had submitted the clinical trial application in December 2007. In parallel, MorphoSys has received a manufacturing license from the Bavarian government, allowing MorphoSys to release clinical trial material for MOR103 clinical studies as a sponsor.

Progress Partnered Pipeline

During the first quarter of 2008, 4 new programs were started. MorphoSys's existing partnered therapeutic antibody pipeline currently comprises 54 programs in total (up from 50 at the beginning of the year), of which currently 4 are in phase 1 clinical development, 23 in pre-clinical development (unchanged in comparison to beginning of the year), and 27 in research (up from 23 at the beginning of the year).

Risk and Opportunity Report

The risks and opportunities have not changed materially compared to the situation described in the Annual Report 2007.

Outlook

The Company's most recent guidance was given in February 2008 and no changes have been announced on the occasion of the Q1 2008 press release.

The Company estimates full-year 2008 Group revenues between € 73 million and € 77 million, and an operating profit of € 9 million to € 11 million, including investments in technology and product development in the amount of € 13 million (2007: € 6.1 million).

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Consolidated Statement of Operations (IFRS) – unaudited

For the Period Ended March 31,	Note	2008 €	2007 €
Revenues		16,279,099	14,119,759
Operating Expenses			
Cost of Goods Sold	2	1,679,698	2,721,020
Research and Development		5,316,801	4,862,543
Sales, General and Administrative		5,222,832	5,188,746
Total Operating Expenses		12,219,331	12,772,309
Profit from Operations		4,059,768	1,347,450
Interest Income		361,214	18,311
Interest Expense		1,617	2,966
Other Income, Net		235,221	183,465
Profit before Taxes		4,654,586	1,546,260
Income Tax Expense		1,390,039	906,186
Net Profit		3,264,547	640,074
Basic Net Profit per Share		0.44	0.10
Diluted Net Profit per Share		0.44	0.09
Shares Used in Computing Basic Net Profit per Share		7,364,079	6,694,281
Shares Used in Computing Diluted Net Profit per Share		7,426,364	6,804,872

See accompanying notes to the Consolidated Financial Statements

Consolidated Balance Sheet (IFRS) – unaudited

in €	Note	March 31, 2008 €	December 31, 2007 €
ASSETS			
Current Assets			
Cash and Cash Equivalents		34,961,904	48,407,064
Available-for-sale Financial Assets		76,834,280	58,491,852
Accounts Receivable		7,237,277	9,461,832
Tax Receivables		1,088,050	1,023,762
Other Receivables		180,482	138,903
Inventories, Net		3,742,692	3,833,208
Prepaid Expenses and Other Current Assets		3,091,719	1,163,521
Assets Classified as Held for Sale		321,900	346,330
Total Current Assets		127,458,304	122,866,472
Non-current Assets			
Property, Plant and Equipment, Net		3,995,785	4,229,043
Patents, Net		1,476,312	1,594,749
Licenses, Net		15,852,150	16,430,881
Software, Net		596,982	632,453
Know-how and Customer Lists, Net		3,303,501	3,686,512
Goodwill		26,915,859	26,953,864
Investment Property		1,498,152	1,602,558
Deferred Tax Asset		4,076,800	4,948,435
Prepaid Expenses and Other Assets, Net of Current Portion		1,701,461	1,767,579
Total Non-current Assets		59,417,002	61,846,074
Total Assets		186,875,306	184,712,546

See accompanying notes to the Consolidated Financial Statements

Note	March 31, 2008 €	December 31, 2007 €
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	8,009,990	13,440,778
Licenses Payable	136,776	131,326
Provisions and Tax Liabilities	763,038	476,548
Current Portion of Deferred Revenue	12,234,374	15,345,863
Total Current Liabilities	21,144,178	29,394,515
Non-current Liabilities		
Provisions, Net of Current Portion	62,763	62,763
Deferred Revenue, Net of Current Portion	13,923,301	7,049,474
Convertible Bonds Due to Related Parties	79,065	79,065
Deferred Tax Liability	2,518,153	2,589,280
Total Non-current Liabilities	16,583,282	9,780,582
Stockholders' Equity		
Common Stock, € 3.00 Par Value; Ordinary Shares Authorized (12,729,785 and 12,729,785 for 2008 and 2007, respectively)		
Ordinary Shares Issued (7,413,703 and 7,386,753 for 2008 and 2007, respectively)		
Ordinary Shares Outstanding (7,386,971 and 7,360,021 for 2008 and 2007, respectively)		
Treasury Stock (26,732 and 26,732 shares for 2008 and 2007, respectively), at Cost	3 22,231,298	22,150,448
Additional Paid-in Capital	3 155,888,587	155,376,343
Reserves	1,611,666	1,858,910
Accumulated Deficit	(30,583,705)	(33,848,252)
Total Stockholders' Equity	149,147,846	145,537,449
Total Liabilities and Stockholders' Equity	186,875,306	184,712,546

See accompanying notes to the Consolidated Financial Statements

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

	Common Stock	
	Shares	€
Balance as of January 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	-	-
Reserves:		
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
Balance as of January 1, 2008	7,386,753	22,160,259
Compensation Related to the Grant of Stock Options and Convertible Bonds	-	-
Exercise of Options and Convertible Bonds Issued to Related Parties	26,950	80,850
Reserves:		
Change in Unrealized Gain on Available-for-sale Securities, Net of Deferred Tax	-	-
Effects from Equity-related Recognition of Deferred Taxes	-	-
Foreign Currency Loss from Consolidation	-	-
Net Profit for the Period	-	-
Comprehensive Income	-	-
Balance as of March 31, 2008	7,413,703	22,241,109

See accompanying notes to the Consolidated Financial Statements

Treasury Stock		Additional Paid-in Capital	Revaluation Reserve	Translation Reserve	Accumulated Deficit	Total Stock- holders' Equity
Shares	€	€	€	€	€	€
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
-	-	-	361,808	174,392	640,074	1,176,274
26,732	(9,811)	124,591,538	1,428,598	467,550	(44,683,208)	101,967,897
26,732	(9,811)	155,376,343	2,241,328	(382,418)	(33,848,252)	145,537,449
-	-	293,148	-	-	-	293,148
-	-	219,096	-	-	-	299,946
-	-	-	393,245	-	-	393,245
-	-	-	(121,643)	-	-	(121,643)
-	-	-	-	(518,846)	-	(518,846)
-	-	-	-	-	3,264,547	3,264,547
-	-	-	271,602	(518,846)	3,264,547	3,017,303
26,732	(9,811)	155,888,587	2,512,930	(901,264)	(30,583,705)	149,147,846

Consolidated Statement of Cash Flows (IFRS) – unaudited

For the Period Ended March 31,	2008 €	2007 €
Operating Activities		
Net Profit	3,264,547	640,074
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities:		
Non-cash Charges from PPA	14,125	138,969
Depreciation and Amortization of Tangible and Intangible Assets	1,303,008	1,069,651
Income Tax Benefit	(59,664)	(118,987)
Net Gain on Sales of Financial Assets	(406,285)	(13,570)
Unrealized Net Gain on Derivative Financial Instruments	(136,938)	(43,231)
Loss on Sale of Property, Plant and Equipment/Intangible Assets	238	6,756
Recognition of Deferred Revenue	(7,899,478)	(4,641,707)
Stock-based Compensation	293,148	362,221
Changes in Operating Assets and Liabilities:		
Accounts Receivable	2,124,512	(1,414,368)
Prepaid Expenses, Other Assets and Tax Receivables	(906,196)	223,369
Accounts Payable and Provisions	732,303	(1,262,389)
Licenses Payable	5,450	4,353
Other Liabilities	(5,867,573)	(1,484,732)
Deferred Revenue	11,661,816	11,691,181
Cash Generated from Operations	4,123,013	5,157,590
Interest Paid	-	1,469
Interest Received	(361,270)	(18,328)
Income Taxes Paid	191,463	67,245
Net Cash Provided by Operating Activities	3,953,206	5,207,976

See accompanying notes to the Consolidated Financial Statements

For the Period Ended March 31,	2008	2007
	€	€
Investing Activities:		
Purchases of Financial Assets	(22,789,616)	-
Proceeds from Sales of Financial Assets	5,210,739	301,601
Purchases of Property, Plant and Equipment	(238,667)	(293,290)
Proceeds from Disposals of Property, Plant and Equipment	-	22,558
Additions to Intangibles	(90,549)	(264,727)
Net Cash Used in Investing Activities	(17,908,093)	(233,858)
Financing Activities:		
Proceeds from the Exercise of Options and Convertible Bonds Granted to Related Parties	299,946	377,932
Net of Proceeds and Payments from the Issuance of Convertible Bonds Granted to Related Parties	-	45,409
Purchases of Derivative Financial Instruments	(75,000)	(91,500)
Proceeds from the Disposal of Derivative Financial Instruments	170,359	83,375
Net Cost of Share Issuance	-	(9,350)
Net Cash Provided by Financing Activities	395,305	405,866
Effect of Exchange Rate Differences on Cash	114,422	286,854
Increase / (Decrease) in Cash and Cash Equivalents	(13,445,160)	5,666,838
Cash and Cash Equivalents at the Beginning of the Period	48,407,064	3,765,320
Cash and Cash Equivalents at the End of the Period	34,961,904	9,432,158

See accompanying notes to the Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements – unaudited

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

The consolidated financial statements for the period ended March 31, 2008, 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, 2007, have been used throughout the first three months of 2008.

German Corporation Tax Reform 2008

The German “Bundesrat” decided on July 6, 2007 about the corporation tax reform 2008. As part of the regulations becoming effective as of January 1, 2008, the corporation tax rate will be reduced from 25% to 15% with a moderate rise in the effective trade income tax rate. One of the refinancing measures is a limit with regard to the deductibility of business expenses. These new regulations have effect on the Group and are recognized within this interim financial report.

2 Segment Reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services and that 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. Intersegment pricing is determined on an arm’s length basis according to the Group transfer pricing policy.

The Group consists of the following two 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 international pharmaceutical and biotechnology companies, as well as on its own account.

Antibodies Direct — ABD

The AbD segment leverages MorphoSys's core technological capabilities in the design and manufacture of antibodies for research purposes. It commercializes the HuCAL technology, focusing on the custom generation of research antibodies for partners on an individual basis. The segment generates sales from custom antibodies as well as catalog antibodies and industrial bulk production.

Geographical Segments

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

For the Period Ended March 31,	Therapeutic Antibodies		AbD		Unallocated		Elimina- tion	Consolidated	
	2008	2007	2008	2007	2008	2007		2008	2007
(in 000's €)									
Revenues, total	12,163	8,769	4,317	5,351	-	-	(201)	16,279	14,120
External Revenues	12,163	8,769	4,116	5,351	-	-	-	16,279	14,120
Intersegment Revenues	-	-	201	-	-	-	(201)	-	-
Total Operating Expenses	6,023	5,043	4,278	5,816	2,119	1,913	(201)	12,219	12,772
Cost of Goods Sold	-	-	1,680	2,721	-	-	-	1,680	2,721
Other Operating Expenses	5,822	5,043	2,598	3,095	2,119	1,913	-	10,539	10,051
Inter-segment Costs	201	-	-	-	-	-	(201)	-	-
Segment Result	6,140	3,726	39	(465)	(2,119)	(1,913)	-	4,060	1,348
Interest Income	-	-	-	-	-	-	-	361	18
Interest Expense	-	-	-	-	-	-	-	2	3
Other Income, Net	-	-	-	-	-	-	-	236	183
Profit before Taxes	-	-	-	-	-	-	-	4,655	1,546
Income Tax Expense	-	-	-	-	-	-	-	1,390	906
Net Profit	-	-	-	-	-	-	-	3,265	640

A segment result is defined as segment revenues less operating segment expenses. As a compensation for therapeutic revenues generated from contracts that had been originally initiated by the AbD segment, the Therapeutic Antibodies segment granted a compensatory fee of € 0.2 million to the AbD segment for the first three months of 2008 as a result of the revenue sharing agreement established between the two segments in 2007.

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

For the Period Ended March 31 (in 000's €)	2008	2007
Europe and Asia	12,723	7,885
USA and Canada	3,151	5,884
Other	405	351
Total	16,279	14,120

3 Changes in Stockholders' Equity

Common Stock

On March 31, 2008, the common stock of the Company amounted to € 22,241,109 (December 31, 2007: € 20,160,259). Through the conversion and exercise of 26,950 convertible bonds and options issued to management and employees, common stock increased by € 80,850 in the first three months of 2008. Treasury stock amounted to € 9,811 (December 31, 2007: € 9,811).

Additional Paid-in Capital

On March 31, 2008, additional paid-in capital amounted to € 155,888,587 (December 31, 2007: € 155,376,343). The total increase of € 512,244 is due to stock-based compensation in the amount of € 293,148 including the equity portion of convertible bonds granted. A further increase of € 219,096 arose from the exercise and conversion of convertible bonds and stock options issued to related parties.

4 Changes in Convertible Bonds and Stock Options

In the first three months of 2008, no convertible bonds were granted. On January 25, 2008, 94,445 stock options were granted to members of the Management Board and to employees under the 2002 Plan and 9,690 stock options were granted to employees under the 1999 Plan.

5 Directors' Dealings

The Group has related party transactions with its management and with members of the Supervisory Board. In addition to the cash remuneration, the Company has issued stock options and convertible bonds to the Management Board. The table below shows the shares, stock options and convertible bonds, as well as the changes of ownership of the same, which were held by members of the Management Board and the Supervisory Board during the first three months of 2008:

Shares

	01/01/08	Additions	Forfeitures	Sales	31/03/08
Management Board					
Dr. Simon E. Moroney ¹	113,461	22,000	-	-	135,461
Dave Lemus ²	100	-	-	-	100
Dr. Marlies Sproll	35	-	-	-	35
Total	113,596	22,000	-	-	135,596
Supervisory Board					
Dr. Gerald Möller	2,500	-	-	-	2,500
Prof. Dr. Jürgen Drews	2,430	-	-	-	2,430
Dr. Walter Blättler	673	-	-	-	673
Dr. Daniel Camus	-	-	-	-	-
Dr. Metin Colpan	-	-	-	-	-
Dr. Geoffrey N. Vernon	-	-	-	-	-
Total	5,603	-	-	-	5,603

1) Dr. Moroney exercised his options and held the shares received

2) Held by his spouse

Stock Options

	01/01/08	Additions	Forfeitures	Exercises	31/03/08
Management Board					
Dr. Simon E. Moroney ¹	83,000	36,815	-	22,000	97,815
Dave Lemus	48,000	22,089	-	-	70,089
Dr. Marlies Sproll	26,250	22,089	-	-	48,339
Total	157,250	80,993	-	22,000	216,243
Supervisory Board					
Dr. Gerald Möller	-	-	-	-	-
Prof. Dr. Jürgen Drews	-	-	-	-	-
Dr. Walter Blättler	-	-	-	-	-
Dr. Daniel Camus	-	-	-	-	-
Dr. Metin Colpan	-	-	-	-	-
Dr. Geoffrey N. Vernon	-	-	-	-	-
Total	-	-	-	-	-

1) Dr. Moroney exercised his options and held the shares received

Convertible Bonds

	01/01/08	Additions	Forfeitures	Exercises	31/03/08
Management Board					
Dr. Simon E. Moroney	11,248	-	-	-	11,248
Dave Lemus	9,373	-	-	-	9,373
Dr. Marlies Sproll	7,500	-	-	-	7,500
Total	28,121	-	-	-	28,121
Supervisory Board					
Dr. Gerald Möller	-	-	-	-	-
Prof. Dr. Jürgen Drews	-	-	-	-	-
Dr. Walter Blättler	-	-	-	-	-
Dr. Daniel Camus	-	-	-	-	-
Dr. Metin Colpan	-	-	-	-	-
Dr. Geoffrey N. Vernon	-	-	-	-	-
Total	-	-	-	-	-

6 Transactions with Related Parties

Except for the transactions described in "Directors' Dealings", no other transactions with related parties have been entered into in the first quarter of 2008.

Imprint

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