

3rd INTERIM REPORT JANUARY – SEPTEMBER 2008



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MorphoSys Group: 3rd Interim Report January – September 2008

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Dear Shareholders,



The previous quarter was a turbulent one for the world's capital markets. In the face of significant headwinds for many companies as a result, MorphoSys business nonetheless remained on track and our fundamental business activities presently remain relatively unaffected by these negative events.

For the nine months ended September 30, 2008, Group revenues were broadly in line with Company expectations at €53.3 million, a 21% increase compared to the same period in the prior year. Operating profits came in at €15.1 million, more than doubling the previous year's profit of €6.9 million, which was ahead of original Company projections, arising from (i) certain external costs being held below original expectations, and (ii) through the addition of two cohorts to the MOR103 Phase 1 trial pushing additional development costs into next year.

In our Therapeutic Antibodies segment, MorphoSys presented compelling data on its lead proprietary asset, MOR103, an antibody against the target GM-CSF. The phase 1 trial in Holland continues according to plan, and the program continues to be on track for the regulatory filing for a phase 1b/2a clinical trial in the first half of 2009. Additionally, the Company also unveiled plans during the quarter to co-develop an antibody with Novartis in a cost and profit sharing arrangement. Such co-development deals are seen as significantly value-adding, in that MorphoSys benefits from the development experience of its partners, with the added benefit that the upside of these deal structures exceeds that from our traditional partnered business.

On the partnered side of our Therapeutic Antibodies segment, Astellas and Boehringer Ingelheim gained access to our proprietary RapMAT technology, alongside of their existing HuCAL GOLD licenses. Furthermore, Shionogi decided to continue the use of our HuCAL antibody library as a research tool for a consecutive period of three years. The overall partnered clinical product pipeline is also poised to increase by another additional program, which could potentially enter IND stage by end of this year. Finally, Novartis has unveiled plans to advance a HuCAL-based antibody into phase 2 clinical trials.

In the AbD segment we saw the achievement of a major operational milestone with the first market entry of a clinical diagnostic kit comprising a HuCAL antibody. AbD Serotec's customer Phadia AB, a world leader in autoimmunity and allergy testing, has implemented a series of HuCAL-based recombinant antibodies in two of its marketed autoimmune tests. AbD Serotec receives license fees and will continuously supply Phadia with recombinant antibody material. We consider this development as a significant step forwards for our HuCAL technology in the diagnostics field.

Thank you for your continued interest and support of MorphoSys.

Sincerely yours,



Dave Lemus
Chief Financial Officer
MorphoSys AG

Interim Group Management Report: January 1 – September 30, 2008

Industry Overview

In the third quarter of 2008, therapeutic antibodies remained center stage in the pharmaceutical industry with two major acquisitions of antibody-related biotechnology companies by Big Pharma. Eli Lilly plans to take over ImClone in an all cash transaction, valuing the antibody drug maker at about US\$ 6.5 billion. ImClone's core assets include the cancer antibody Erbitux[®]. Roche decided to fully acquire Genentech, developer of multiple leading antibody products such as Herceptin[®], Raptiva[®], Rituxan[®] and Xolair[®], bidding US\$ 43.7 billion for the remaining 44% of the U.S. biotech group. Antibody-related alliances signed during the quarter included PDL Biopharma's and Bristol Myers Squibb's partnership to jointly develop a multiple myeloma antibody targeting CS1, ThromboGenics' and BioInvent's alliance with Roche to develop an anti-cancer antibody which blocks Placental Growth Factor (PIGF) as well as NycoMed's and Immunomedics' agreement to develop a humanized anti-CD20 antibody in rheumatoid arthritis as the primary indication.

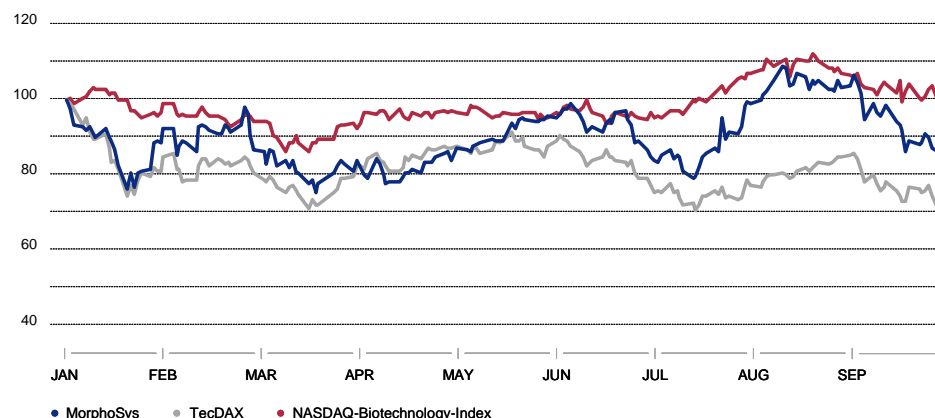
Looking at product-development-related newsflow Amgen presented data on Denosumab, a therapeutic antibody to treat osteoporosis in postmenopausal women which showed that the antibody cuts the risk of spinal and hip fractures significantly.

The MorphoSys Share

In the third quarter financial markets were dominated by macroeconomic influences and the continuing banking/financing crisis which culminated in the bankruptcy and distress sales of large U.S. investment banks such as Lehman Brothers, Merrill Lynch, and US insurance giant A.I.G.

In Germany, the near bankruptcy of DAX-listed Hypo Real Estate weighed heavily on market sentiment. While the NASDAQ Biotechnology Index decreased by 1.9%, and the TecDAX saw a further decrease of 8%, the DAX subsector Biotechnology Performance Index increased by 4%. During the quarter MorphoSys share value increased by 3%. By comparison, a basket of international antibody companies (Source: BioCentury) increased by 3%. Year-to-date, MorphoSys share price is down 10.5%.

The MorphoSys Share (January 2, 2008 = 100%)



Financial Analysis

Revenues

Compared to the same period in the previous year, Group revenues increased by 21% to €53.3 million in the first nine months of 2008 (first nine months 2007: €44.1 million). This increase is due to higher levels of funded research and licensing fees in the therapeutic segment. Revenues arising from the Therapeutic Antibodies segment accounted for 75% or €39.9 million (first nine months 2007: €29.2 million) of total revenues while the AbD segment generated 25% (€13.4 million) of the total (first nine months 2007: €14.9 million).

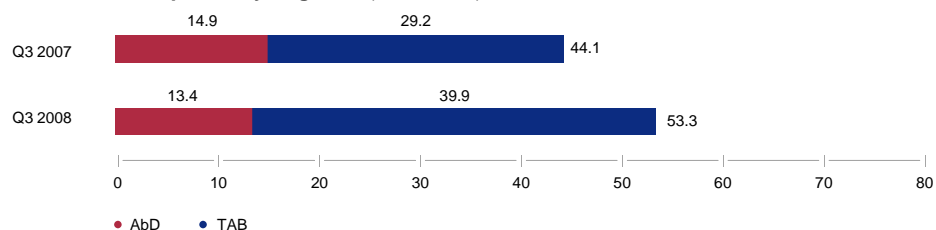
Geographically, 23%, or €12.3 million, of MorphoSys's commercial revenues were generated with biotechnology and pharmaceutical companies or non-profit organizations located in North America and 77%, or €41.0 million, with companies located mainly in Europe and Asia. This compares to 37% and 63%, respectively, in the same period of the prior year, in part reflecting the increasing importance of the Novartis partnership to Group revenues and increasing amounts arising from Japanese partnerships.

Therapeutic Antibodies Segment

Revenues arising from the Therapeutic Antibodies segment (TAB) comprised €32.6 million in funded research and licensing fees (first nine months 2007: €21.4 million) as well as €7.3 million success-based payments (first nine months 2007: €7.8 million), representing 18% of total Therapeutic Antibodies revenues. Approximately 83% of Therapeutic Antibodies revenues and 62% of total revenues arose from the Company's three largest alliances with Novartis, Daiichi Sankyo and Centocor (first nine months 2007: Novartis, Centocor and Bayer Schering, 68% and 45%, respectively).

Assuming constant foreign exchange rates at the average rate of 2007, revenues in the Therapeutic Antibodies segment would have totaled €40.1 million.

Revenue Development by Segment (in € million)



Antibodies Direct – AbD Segment

Compared to the same period in the previous year, AbD segment's revenues decreased by 10%, or € 1.5 million, to € 13.4 million in 2008 (first nine months 2007: € 14.9 million). The main reasons for this decline in revenues included adverse foreign exchange effects, and weaker than expected markets for research antibodies. Assuming constant foreign exchange rates at the average rate for 2007, revenues in the AbD segment would have amounted to € 14.5 million.

The largest part of revenues (approx. 81% or € 10.9 million), was generated with catalog and industrial customers, while custom manufacture antibodies contributed 19% or € 2.5 million.

As of September 30, 2008, orders in the amount of € 1.0 million were classified as backorders in the segment (September 30, 2007: € 0.6 million).

Operating Expenses

Compared to the first nine months of 2007, total operating expenses slightly increased by approximately 3% to € 38.2 million in 2008 (first nine months 2007: € 37.2 million). The change in operating expenses of € 1.0 million was mainly impacted by research and development (R&D) expenses increasing by 17% or € 2.6 million which was offset by cost of goods sold (COGS) decreasing from € 6.0 million to € 5.2 million as well as by sales, general and administrative (S, G&A) expenses decreasing from € 15.5 million to € 14.6 million. Total purchase price allocation (PPA) effects on operating profit amounted to € 0.5 million (first nine months 2007: € 1.0 million).

Stock-based compensation expenses are embedded in COGS, S, G&A and R&D expense amounts. Stock-based compensation for the first nine months of 2008 amounted to € 0.8 million (first nine months 2007: € 1.0 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 nine months of 2008 and – compared to the same period of the prior year – decreased from € 6.0 million to € 5.2 million. The decline in COGS is mainly a result of lower sales levels. Additionally, acquired inventories from our Biogenesis and Serotec acquisitions are now fully depreciated.

Research and Development Expenses

Expenses for research and development increased by € 2.6 million to € 18.3 million (first nine months 2007: € 15.7 million). This was mainly due to higher personnel costs in the Therapeutic Antibodies segment mainly associated with increases in proprietary drug development and partnered activities (first nine months 2008: € 7.7 million; first nine months 2007: € 6.2 million) as well as increased costs for intangibles in connection with the patent portfolio in-licensed from Dyax in

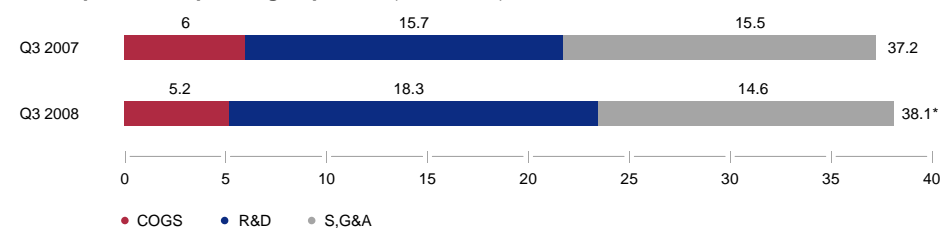
2007 (first nine months 2008: €4.2 million; first nine months 2007: €3.1 million). This increase was partly offset by lower costs for external services (first nine months 2008: €2.4 million; first nine months 2007: €2.7 million), namely external lab funding. The two proprietary products currently being developed by MorphoSys are MOR103 and MOR202.

In the first nine months of 2008, the Company incurred costs for proprietary product development and technology development in the amount of €3.6 million and €0.4 million, respectively (first nine months 2007: €3.1 million and €0.9 million, respectively).

Sales, General and Administrative Expenses

Compared to the same period of the previous year, sales, general and administrative expenses decreased by €0.9 million to €14.6 million (first nine months 2007: €15.5 million). This decrease resulted mainly from lower costs for marketing in the AbD segment and lower legal costs.

Development of Operating Expenses (in € million)



Cost by Expenditure Type

In the first nine months of 2008, personnel costs (excluding stock-based compensation) amounted to €15.7 million (first nine months 2007: €14.1 million) or 41% 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 €5.8 million (first nine months 2007: €4.8 million) or 15% of total operating expenses and mainly consisted of expenses for licenses (first nine months 2008: €2.8 million; first nine months 2007: €2.6 million), amortization of licenses capitalized (first nine months 2008: €1.8 million; first nine months 2007: €1.0 million) as well as amortization of intangible assets identified in connection with the PPAs for Biogenesis and Serotec (first nine months 2008: €0.4 million; first nine months 2007: €0.6 million).

Expenses for external services amounted to €5.1 million (first nine months 2007: €6.1 million) or 13% of total operating expenses and mainly included external lab funding (first nine months 2008: €2.1 million; first nine months 2007: €2.6 million) and consulting fees (first nine months 2008: €1.6 million; first nine months 2007: €1.4 million).

Non-operating Items

For the first nine months of 2008, non-operating income amounted to €1.3 million (first nine months 2007: €0.9 million) and mainly changed as a result of increased interest income and increased gains from marketable securities.

Taxes

For the first nine months of 2008, the Company reported income tax expenses in the amount of €4.7 million. This line item mainly included deferred tax expenses (€3.0 million) from the release of deferred tax assets capitalized in 2007, and current tax expenses (€1.9 million). These tax expenses were partly offset by deferred tax income (€0.2 million) resulting from the amortization of deferred tax liabilities in connection with previous acquisitions.

Operating Profit / Net Profit

Group operating profit for the first nine months of 2008 amounted to €15.1 million (first nine months 2007: €6.9 million). Earnings before interest and taxes (EBIT) amounted to €15.3 million, compared to an EBIT of €7.3 million in the first nine months of the previous year. The Therapeutic Antibodies segment accounted for an operating profit of €21.2 million (first nine months 2007: €13.1 million) whereas the operating profit for the AbD segment amounted to €0.3 million (first nine months 2007: loss of €0.6 million).

A net profit after taxes of €11.8 million was achieved in the first nine months of 2008, compared to a net profit after taxes of €4.9 million in the first nine months of 2007. The resulting basic net profit per share for the first nine months of 2008 amounted to €1.59 (first nine months 2007: €0.69).

Liquidity / Cash Flows

Cash inflow from operations in the first nine months of 2008 amounted to €18.7 million (first nine months 2007: €6.5 million).

Moreover, as of September 30, 2008, the Company held €127.3 million in cash, cash equivalents and available-for-sale financial assets, compared to a year end 2007 balance of €106.9 million.

Assets

Total assets rose by €14.1 million to €198.8 million as of September 30, 2008, compared to €184.7 million as of December 31, 2007. Current assets increased by €19.0 million mainly as a result of the investment in available-for-sale financial assets (€25.7 million) and the increase in prepaid expenses and other current assets (€2.1 million), which were partly offset by the decrease in accounts receivable (€3.8 million) and in cash and cash equivalents (€5.3 million) as well as the decrease of assets classified as available for sale due to the sale of property in the USA (€0.3 million).

Compared to December 31, 2007, non-current assets decreased by €4.9 million mainly as a consequence of the amortization of deferred tax assets capitalized in 2007 (€2.9 million) as well as of the amortization of know-how and customer lists (€0.7 million) and licenses (€0.4 million).

Liabilities

In the first nine months of 2008, current liabilities decreased from €29.4 million as of December 31, 2007, to €23.7 million as of September 30, 2008. This change primarily arose from a decrease in current deferred revenue (€4.7 million) and accounts payable (€2.6 million) as a result of payments after the year end 2007 balance sheet date which were partly offset by an increase in tax liabilities (€0.9 million) and licenses payable (€0.7 million).

Non-current liabilities increased by € 5.1 million to € 14.9 million in the first three quarters of 2008 which were mainly impacted by an increase in non-current deferred revenue by € 5.0 million resulting from contracts signed in the current year and in previous years.

Equity

Total stockholders' equity amounted to € 160.3 million as of September 30, 2008, compared to € 145.5 million as of December 31, 2007.

As of September 30, 2008, the total number of shares issued amounted to 7,468,436 of which 7,441,804 were outstanding, compared to 7,386,753 and 7,360,021 as of December 31, 2007, respectively.

The increase of shares outstanding by 81,683 shares arose from the conversion of bonds as well as from exercised options issued to members of the Management Board and to employees. In addition, 100 options have been exercised in shares provided by treasury stock. Treasury shares were reduced accordingly, amounting to 26,632 as of September 30, 2008.

Capital Expenditure

MorphoSys's investment in property, plant and equipment amounted to € 1.0 million for the nine-month period ended September 30, 2008, and increased by € 0.1 million compared to the same period of the prior year. Depreciation of property, plant and equipment for the first nine months of 2008 accounted for € 1.1 million and remained unchanged compared to the first three quarters of 2007.

During the first nine months of 2008, the Company invested € 1.7 million in intangible assets (first nine months 2007: € 0.7 million). Amortization of intangibles amounted to € 2.8 million and increased by € 0.7 million in comparison to the first nine months of 2007, mainly due to the amortization of license fees.

Legal / Share Split

As part of the 2008 Annual Shareholders' Assembly agenda, the shareholders approved a three-for-one share split. Two complaints, which were filed during the second quarter, have been withdrawn in the interim. The Company will update its shareholders regarding more precise timing of the sharesplit as soon as possible.

Human Resources

Number and Qualification of Employees

On September 30, 2008 the MorphoSys Group employed 324 people (December 31, 2007: 295). On average, the MorphoSys Group employed 306 people for the first nine months of 2008 (first nine months 2007: 289).

Of the 324 employees, 113 people were employed in MorphoSys's subsidiaries on September 30, 2008, and on average, 109 were employed (first nine months 2007: 109 and 109, respectively).

Of the 324 employees, 185 worked in research and development and 139 in sales, general and administration (December 31, 2007: 164 and 131, respectively).

On September 30, 2008, 85 of MorphoSys's employees had a Ph.D. degree (December 31, 2007: 75).

Of the 324 employees, 192 worked for the Therapeutic Antibodies segment and 132 for the AbD segment (December 31, 2007: 167 and 128, respectively).

On September 30, 2008, MorphoSys had two apprenticeship positions (December 31, 2007: 2).

Business Development

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

Therapeutic Antibodies Segment

The following represents the progress made in existing collaborations throughout the third quarter of 2008:

MorphoSys Licenses RapMAT Technology to Astellas and Boehringer Ingelheim

In July 2008, MorphoSys announced that Astellas and Boehringer Ingelheim have triggered their pre-existing options to use MorphoSys's proprietary RapMAT technology for faster antibody optimization as part of the existing technology transfer agreements with MorphoSys. As a result, MorphoSys will install the RapMAT technology module alongside the existing installations of the antibody library HuCAL GOLD at Astellas's research site in Tsukuba, Japan, and Boehringer Ingelheim's research site in Vienna, Austria, respectively. Under the extended agreements MorphoSys will receive annual user fees for the RapMAT technology and continues to receive annual user fees for access to its HuCAL platform.

RapMAT, which stands for "rapid maturation", improves the options for identifying antibodies from the HuCAL libraries and reduces the time for generating promising therapeutic lead molecules. The RapMAT technology is completely compatible with the HuCAL GOLD antibody library. MorphoSys believes that the use of RapMAT can greatly speed up antibody drug discovery, while widening the pool of drug candidates from which to choose. The RapMAT technology was introduced in late 2006.

Extension of R&D Partnership with Shionogi

In September 2008, MorphoSys announced that Shionogi & Co., Ltd., Osaka, Japan, has elected to extend its current license agreement covering the use of MorphoSys's HuCAL technology in drug discovery, for three additional years. Under the terms of the agreement, Shionogi will continue to have the right to use MorphoSys's proprietary antibody library HuCAL GOLD for research purposes

at one of its research sites. MorphoSys will receive annual user fees from Shionogi for access to the HuCAL technology.

AbD Segment

First HuCAL Antibodies Distributed as Part of Clinical Diagnostic Kits

In July 2008, MorphoSys announced that Phadia AB has implemented a series of HuCAL-based recombinant antibodies in its marketed autoimmune tests Varelisa™ and ELiA™. Thereby Phadia became the first diagnostics company to introduce recombinant antibodies based on HuCAL in an autoimmune screening platform. AbD Serotec receives license fees and will continuously supply Phadia with recombinant antibody material.

e2v biosensors

AbD Serotec, and its customer e2v biosensors, a subsidiary of e2v technologies plc, have presented a research program to establish a novel detection technology for biomarkers using a single-antibody immunoassay. The system will be used for protein quantification in point of care and near patient testing. e2v biosensors and AbD Serotec began an initial project in September 2006. AbD Serotec has since generated a series of specifically designed recombinant antibodies suitable for e2v to perform feasibility studies showing proof-of-concept of their approach. e2v is currently looking for a strategic partner to fully exploit the commercial potential of the approach in a broad range of applications.

Research & Development / Alliance Management

Progress Proprietary Pipeline

MOR103

In September 2008, MorphoSys announced the publication of a first data package for its most advanced proprietary drug development program MOR103, a fully human HuCAL antibody directed against GM-CSF, in the journal "Molecular Immunology".

The data presented show that MOR103 is able to block disease-relevant processes such as GM-CSF-dependent proliferation and signal transduction in vitro. Additionally, the publication describes that MorphoSys was able to achieve a 5,000-fold increase in affinity and a 2,000-fold increase in potency compared to the parental antibody using its established optimization technology. With a resulting affinity - or binding strength - of 400 femtomolar, MOR103 represents the first known anti-GM-CSF agent with a subpicomolar affinity for its target. Targeting of antigens such as GM-CSF, which are present only at low concentrations in patients, will require antibodies with low picomolar to subpicomolar affinities in order to reach efficacy in vivo at low dose levels. The high affinity is also expected to lead to a beneficial dosing regimen and cost of goods advantage.

MOR103 is currently being tested in a phase 1 clinical trial to assess safety, tolerability and the pharmacokinetics of this fully human high-affinity anti-GM-CSF HuCAL antibody. MorphoSys intends to present pre-clinical data for MOR103 at the HAH - Human Antibodies and Hybridomas Conference on November 12, 2008 in New York, USA, as well as at the IBC's 19th Annual International Antibody Engineering Conference on December 9, 2008, in San Diego, USA.

Progress Partnered Pipeline

During the third quarter of 2008, MorphoSys's existing partnered therapeutic antibody pipeline increased to 55 active programs in total (up from 50 at the beginning of the year), of which currently 3 are in phase 1 clinical development, 29 in pre-clinical development, and 23 in research. Included in this calculation is the program designated for a potential co-development with Novartis. By only counting active programs, the GPC program 1D09C3, which was in phase 1, is currently excluded.

In August 2008, Novartis has published documents stating plans to start a phase 1/2 combination study with a HuCAL-based antibody (BHQ880).

Risk and Opportunity Report

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

Outlook

On the basis of a lower than anticipated increase of R&D costs in the second half of 2008, MorphoSys's management updated financial guidance for the full year. The Company estimates full-year 2008 Group revenues between €73 million and €76 million (previously €73 million and €77 million), and an operating profit of €15 million to €16 million (previously €9 million to €11 million). Projected full year AbD revenues are now estimated at approximately EUR 19 million, EUR 1 million lower than previous estimates.

Consolidated Statement of Operations (IFRS) – unaudited

	Note	Three Months Ended 09/30/2008 €	Three Months Ended 09/30/2007 €	Nine Months Ended 09/30/2008 €	Nine Months Ended 09/30/2007 €
Revenues		20,002,476	15,483,364	53,258,282	44,090,092
Operating Expenses					
Cost of Goods Sold	2	1,706,263	1,869,610	5,232,897	6,039,854
Research and Development		6,792,959	5,194,777	18,322,615	15,684,241
Sales, General and Administrative		4,392,914	4,991,327	14,602,572	15,468,539
Total Operating Expenses		12,892,136	12,055,714	38,158,084	37,192,634
Profit from Operations		7,110,340	3,427,650	15,100,198	6,897,458
Interest Income		419,519	334,531	1,133,937	546,042
Interest Expense		1,617	2,513	4,851	7,772
Other Income / (Expenses), Net		(172,281)	339,256	218,335	364,717
Profit before Taxes		7,355,961	4,098,924	16,447,619	7,800,445
Income Tax Expense		1,886,962	1,259,494	4,677,222	2,925,264
Net Profit		5,468,999	2,839,430	11,770,397	4,875,181
Basic Net Profit per Share		0.74	0.39	1.59	0.69
Diluted Net Profit per Share		0.73	0.38	1.58	0.68
Shares Used in Computing Basic Net Profit per Share		7,420,454	7,350,158	7,391,479	7,037,253
Shares Used in Computing Diluted Net Profit per Share		7,466,117	7,431,549	7,432,696	7,138,995

See accompanying notes to the Interim Consolidated Financial Statements

Consolidated Balance Sheet (IFRS)

	Note	Sept. 30, 2008 (unaudited) €	Dec. 31, 2007 €
ASSETS			
Current Assets			
Cash and Cash Equivalents		43,081,459	48,407,064
Available-for-sale Financial Assets		84,239,518	58,491,852
Accounts Receivable		5,743,813	9,461,832
Income Tax Receivables		1,424,340	1,023,762
Other Receivables		30,055	138,903
Inventories, Net		4,116,242	3,833,208
Prepaid Expenses and Other Current Assets		3,257,119	1,163,521
Assets Classified as Held for Sale		-	346,330
Total Current Assets		141,892,546	122,866,472
Non-current Assets			
Property, Plant and Equipment, Net		4,009,431	4,229,043
Patents, Net		1,332,024	1,594,749
Licenses, Net		16,036,405	16,430,881
Software, Net		571,015	632,453
Know-how and Customer Lists, Net		3,021,315	3,686,512
Goodwill		26,871,902	26,953,864
Investment Property		1,473,009	1,602,558
Deferred Tax Asset		2,049,543	4,948,435
Prepaid Expenses and Other Assets, Net of Current Portion		1,583,756	1,767,579
Total Non-current Assets		56,948,400	61,846,074
Total Assets		198,840,946	184,712,546

See accompanying notes to the Interim Consolidated Financial Statements

	Note	Sept. 30, 2008 (unaudited) €	Dec. 31, 2007 €
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable		10,849,746	13,440,778
Licenses Payable		816,974	131,326
Tax Liabilities		1,403,652	476,548
Current Portion of Deferred Revenue		10,581,512	15,345,863
Total Current Liabilities		23,651,884	29,394,515
Non-current Liabilities			
Provisions, Net of Current Portion		62,763	62,763
Deferred Revenue, Net of Current Portion		12,013,487	7,049,474
Convertible Bonds Due to Related Parties		68,949	79,065
Deferred Tax Liability		2,786,315	2,589,280
Total Non-current Liabilities		14,931,514	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 (7,468,436 and 7,386,753 for 2008 and 2007, respectively)			
Ordinary Shares Outstanding (7,441,804 and 7,360,021 for 2008 and 2007, respectively)			
Treasury Stock (26,632 and 26,732 shares for 2008 and 2007, respectively), at Cost	3	22,395,534	22,150,448
Additional Paid-in Capital	3	157,539,408	155,376,343
Accumulated Other Comprehensive Income		2,400,461	1,858,910
Accumulated Deficit		(22,077,855)	(33,848,252)
Total Stockholders' Equity		160,257,548	145,537,449
Total Liabilities and Stockholders' Equity		198,840,946	184,712,546

See accompanying notes to the Interim 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 (Net of Deferred Tax)	9,380	28,140
Exercise of Options from Treasury Stock Issued to Related Parties	-	-
Capital Increase against Contribution in Kind, Net of Issuance Cost of €1,054,860 (Net of Deferred Tax)	652,188	1,956,564
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 September 30, 2007	7,376,890	22,130,670
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, Net of Issuance Cost of €15,500	81,683	245,049
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 September 30, 2008	7,468,436	22,405,308

See accompanying notes to the Interim Consolidated Financial Statements

Treasury Stock		Additional	Revaluation	Translation	Accumulated	Total Stockholders' Equity
Shares	€	Paid-in Capital	Reserve	Reserve	Deficit	
	€	€	€	€	€	€
29,162	(10,703)	123,878,001	1,066,790	293,158	(45,321,893)	100,051,319
-	-	-	-	-	(1,389)	(1,389)
-	-	1,051,719	-	-	-	1,051,719
-	-	348,935	-	-	-	377,075
(2,430)	892	-	-	-	-	892
-	-	29,597,976	-	-	-	31,554,540
-	-	-	1,446,873	-	-	1,446,873
-	-	-	(135,531)	-	-	(135,531)
-	-	-	-	(396,828)	-	(396,828)
-	-	-	-	-	4,875,181	4,875,181
-	-	-	1,311,342	(396,828)	4,875,181	5,789,695
26,732	(9,811)	154,876,631	2,378,132	(103,670)	(40,448,101)	138,823,851
26,732	(9,811)	155,376,343	2,241,328	(382,418)	(33,848,252)	145,537,449
-	-	816,496	-	-	-	816,496
(100)	37	1,346,569	-	-	-	1,591,655
-	-	-	1,367,150	-	-	1,367,150
-	-	-	(119,737)	-	-	(119,737)
-	-	-	-	(705,862)	-	(705,862)
-	-	-	-	-	11,770,397	11,770,397
-	-	-	1,247,413	(705,862)	11,770,397	12,311,948
26,632	(9,774)	157,539,408	3,488,741	(1,088,280)	(22,077,855)	160,257,548

Consolidated Statement of Cash Flows (IFRS) – unaudited

For the Period Ended September 30,	Note	2008 €	2007 €
Operating Activities			
Net Profit		11,770,397	4,875,181
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities:			
Non-cash Charges from PPA		67,895	416,019
Depreciation and Amortization of Tangible and Intangible Assets		3,924,046	3,197,523
Income Tax Benefit		(184,947)	(349,987)
Net Gain on Sales of Financial Assets		(868,379)	(418,861)
Unrealized Net Gain on Derivative Financial Instruments		13,490	(276,015)
(Gain) / Loss on Sale of Property, Plant and Equipment		(12,182)	4,661
Recognition of Deferred Revenue		(25,343,427)	(13,901,295)
Stock-based Compensation		816,496	1,040,830
Changes in Operating Assets and Liabilities:			
Accounts Receivable		3,653,247	(4,479,770)
Prepaid Expenses, Other Assets and Tax Receivables		(1,053,700)	(388,174)
Accounts Payable and Provisions		1,827,378	(1,817,244)
Licenses Payable		685,648	(24,595)
Other Liabilities		(2,616,504)	302,609
Deferred Revenue		25,543,088	18,038,047
Cash Generated from Operations		18,222,546	6,218,929
Interest Paid		-	(3,280)
Interest Received		1,134,054	547,739
Income Taxes Paid		(648,559)	(306,039)
Net Cash Provided by Operating Activities		18,708,041	6,457,349

See accompanying notes to the Interim Consolidated Financial Statements

For the Period Ended September 30,	Note	2008 €	2007 €
Investing Activities:			
Purchases of Financial Assets		(33,791,318)	(15,312,285)
Proceeds from Sales of Financial Assets		10,496,738	10,225,742
Purchases of Property, Plant and Equipment		(1,041,487)	(868,845)
Proceeds from Disposals of Property, Plant and Equipment		316,193	71,328
Additions to Intangibles		(1,723,888)	(755,202)
Net Cash Used in Investing Activities		(25,743,762)	(6,639,262)
Financing Activities:			
Proceeds from the Issuance of Equity		-	32,609,400
Proceeds from the Exercise of Options and Convertible Bonds Granted to Related Parties		1,607,154	387,317
Net of Proceeds and Payments from the Issuance of Convertible Bonds Granted to Related Parties		(10,116)	43,372
Purchases of Derivative Financial Instruments		(75,000)	(91,500)
Proceeds from the Disposal of Derivative Financial Instruments		170,359	121,993
Net Cost of Share Issuance		(15,500)	(1,064,210)
Net Cash Provided by Financing Activities		1,676,897	32,006,372
Effect of Exchange Rate Differences on Cash		33,219	81,169
(Decrease) / Increase in Cash and Cash Equivalents		(5,325,605)	31,905,628
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		43,081,459	35,670,948

See accompanying notes to the Interim 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 September 30, 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 nine 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 effective as of January 1, 2008, the corporation tax rate is 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 Nine Months Period Ended September 30, (in 000's €)	Therapeutic Antibodies		AbD		Unallocated		Elimination		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenues, total	40,586	29,745	13,335	14,908	-	-	(663)	(563)	53,258	44,090
External Revenues	40,586	29,745	12,672	14,345	-	-	-	-	53,258	44,090
Inter-segment Revenues	-	-	663	563	-	-	(663)	(563)	-	-
Total Operating Expenses	19,385	16,604	13,029	15,482	6,407	5,670	(663)	(563)	38,158	37,193
Cost of Goods Sold	-	-	5,233	6,040	-	-	-	-	5,233	6,040
Other Operating Expenses	18,722	16,041	7,796	9,442	6,407	5,670	-	-	32,925	31,153
Inter-segment Costs	663	563	-	-	-	-	(663)	(563)	-	-
Segment Result	21,201	13,141	306	(574)	(6,407)	(5,670)	-	-	15,100	6,897
Interest Income	-	-	-	-	-	-	-	-	1,134	546
Interest Expense	-	-	-	-	-	-	-	-	5	8
Other Income, Net	-	-	-	-	-	-	-	-	218	365
Profit before Taxes	-	-	-	-	-	-	-	-	16,447	7,800
Income Tax Expense	-	-	-	-	-	-	-	-	4,677	2,925
Net Profit	-	-	-	-	-	-	-	-	11,770	4,875

For the Three Months Period Ended September 30, (in 000's €)	Therapeutic Antibodies		AbD		Unallocated		Elimination		Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenues, total	15,882	11,037	4,351	5,009	-	-	(231)	(563)	20,002	15,483
External Revenues	15,882	11,037	4,120	4,446	-	-	-	-	20,002	15,483
Inter-segment Revenues	-	-	231	563	-	-	(231)	(563)	-	-
Total Operating Expenses	6,730	6,009	4,222	4,868	2,171	1,741	(231)	(563)	12,892	12,055
Cost of Goods Sold	-	-	1,706	1,870	-	-	-	-	1,706	1,870
Other Operating Expenses	6,499	5,446	2,516	2,998	2,171	1,741	-	-	11,186	10,185
Inter-segment Costs	231	563	-	-	-	-	(231)	(563)	-	-
Segment Result	9,152	5,028	129	141	(2,171)	(1,741)	-	-	7,110	3,428
Interest Income	-	-	-	-	-	-	-	-	420	335
Interest Expense	-	-	-	-	-	-	-	-	2	3
Other (Expense)/ Income, Net	-	-	-	-	-	-	-	-	(172)	339
Profit before Taxes	-	-	-	-	-	-	-	-	7,356	4,099
Income Tax Expense	-	-	-	-	-	-	-	-	1,887	1,260
Net Profit	-	-	-	-	-	-	-	-	5,469	2,839

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 €0.7 million to the AbD segment for the first nine 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 September 30, (in 000's €)	2008	2007
Europe and Asia	39,778	26,435
USA and Canada	12,278	16,503
Other	1,202	1,152
Total	53,258	44,090

3 Changes in Stockholders' Equity

Common Stock

On September 30, 2008, the common stock of the Company amounted to €22,405,308 (December 31, 2007: €22,160,259). Through the conversion and exercise of 81,683 convertible bonds and options issued to management and employees, common stock increased by €245,049 in the first nine months of 2008. The reduction in treasury stock was due to exercises of options. Treasury stock amounted to €9,774 as of September 30, 2008 (December 31, 2007: €9,811).

Additional Paid-in Capital

On September 30, 2008, additional paid-in capital amounted to €157,539,408 (December 31, 2007: €155,376,343). The total increase of €2,163,065 is due to stock-based compensation in the amount of €816,496 including the equity portion of convertible bonds granted. A further increase of €1,346,569 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 nine 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 nine months of 2008:

Shares

	01/01/08	Additions	Forfeitures	Sales	30/09/08
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	30/09/08
Management Board					
Dr. Simon E. Moroney ¹	83,000	36,815	-	22,000	97,815
Dave Lemus	48,000	22,089	-	18,200	51,889
Dr. Marlies Sproll	26,250	22,089	-	1,250	47,089
Total	157,250	80,993	-	41,450	196,793
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	30/09/08
Management Board					
Dr. Simon E. Moroney	11,248	-	-	-	11,248
Dave Lemus	9,373	-	-	4,749	4,624
Dr. Marlies Sproll	7,500	-	-	3,800	3,700
Total	28,121	-	-	8,549	19,572
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 nine months of 2008.

Imprint

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