

## Media Release

Martinsried/Munich, Germany, July 29, 2011

# MorphoSys AG Reports Strong Six Months 2011 Results

MorphoSys AG (FSE: MOR; Prime Standard Segment; TecDAX) today announced its financial results for the six months ending June 30, 2011, according to International Financial Reporting Standards (IFRS). Group revenues increased by 53 % to EUR 66.6 million (H1 2010: EUR 43.4 million), mainly due to a technology milestone payment, which was booked in Q1 2011. Group operating profit increased to EUR 23.3 million (H1 2010: EUR 8.3 million) and net profit amounted to EUR 15.0 million (H1 2010: EUR 5.9 million). As planned, MorphoSys further increased its investment in proprietary research and development, to EUR 15.2 million (H1 2010: EUR 10.8 million). MorphoSys's cash position on June 30, 2011 was EUR 139.6 million (December 31, 2010: EUR 108.4 million) and the Company re-confirmed its full-year guidance for 2011.

| In EURO million                | H1 2011 | H1 2010 | Q2 2011 | Q2 2010 |
|--------------------------------|---------|---------|---------|---------|
| <b>Group Revenues</b>          | 66.6    | 43.4    | 18.0    | 22.9    |
| Other Operating Income         | 0.2     | 0       | 0.1     | 0       |
| Total Operating Expenses       | 43.5    | 35.2    | 23.6    | 19.3    |
| <b>Operating Profit/(Loss)</b> | 23.3    | 8.3     | (5.5)   | 3.6     |
| <b>Net Profit/(Loss)</b>       | 15.0    | 5.9     | (3.8)   | 2.7     |
| EPS (diluted) in EURO          | 0.65    | 0.26    | (0.16)  | 0.12    |

## Highlights of the Second Quarter of 2011

- During the second quarter, MorphoSys receives full and unconditional approval by the regulatory authorities and ethics committees in Germany and Austria to start a phase 1/2a clinical trial with its multiple myeloma treatment MOR202. The study is now recruiting patients and first dosing will commence shortly
- MorphoSys reaches second clinical milestone with OncoMed Pharmaceuticals; cancer antibody OMP-18R5 will be evaluated in a Phase 1 trial in the USA in patients with advanced solid tumors
- MorphoSys's partnered and proprietary pipeline comprises 75 programs, of which 18 are in clinical development
- MorphoSys reports promising pre-clinical data for MOR202 at ASCO; studies demonstrated synergistic effects by combining MOR202 with each of two approved drugs for the treatment of multiple myeloma
- MorphoSys initiates infectious disease alliance with ContraFect
- AbD Serotec licenses seven diagnostic HuCAL antibodies to Proteomika to monitor biologics therapies; first HuCAL-based diagnostic kits to enter the market in 2011
- MorphoSys completes share buy-back program; buy-back of approx. 84,000 shares to support non-dilutive long-term incentive program

“The strength of our proprietary antibody technologies is once again illustrated by our strong six months results which in turn confirm our ability to finance all of our development activities without recourse to the capital markets. With MOR202 starting clinical development shortly, our own portfolio is advancing as planned,” stated Jens Holstein, Chief Financial Officer of MorphoSys AG.

### **Financial Review of the First Half of 2011 According to IFRS**

Group revenues for the first half of 2011 were EUR 66.6 million (H1 2010: EUR 43.4 million), an increase of 53 % over the same period of the previous year. This large increase was mainly due to the successful installation of the HuCAL technology at the Novartis Institutes for BioMedical Research in Basel, Switzerland, which was achieved in Q1 2011. Revenues in the Partnered Discovery segment comprised EUR 24.9 million in funded research and licensing fees (H1 2010: EUR 29.2 million) and EUR 31.2 million in success-based payments (H1 2010: EUR 3.6 million), including the technology transfer milestone from Novartis. The Proprietary Development segment recorded funded research revenues of EUR 1.2 million (H1 2010: EUR 0.6 million). Assuming constant foreign exchange rates at the average rate of H1 2010, segment revenues in the Partnered Discovery and Proprietary Development segments would have totaled EUR 57.9 million. The AbD Serotec segment provided 14 % or EUR 9.4 million of total revenues (H1 2010: EUR 10.5 million), a decrease of 10 %. The unfavorable comparison with the prior year's revenue is due to a large OEM order which was placed in Q1 2010 and unfavorable foreign exchange rates. Assuming constant foreign exchange rates at the average rate of H1 2010, revenues in the AbD Serotec segment would have amounted to EUR 9.6 million.

Total operating expenses for the first six months of 2011 increased by 24 % to EUR 43.5 million (H1 2010: EUR 35.2 million). The increase of EUR 8.3 million was mainly caused by increased proprietary research and development (R&D) expenses in line with the Company's plans. Cost of goods sold (COGS), a line item specific to AbD Serotec, slightly decreased by 3 % to EUR 3.7 million (H1 2010: EUR 3.8 million). The gross margin for the segment decreased to 60 %, in comparison to 64 % in the first half of 2010, due to a less favorable sales mix in H1 2011. Total research and development expenses rose by EUR 7.7 million or 38 % to EUR 28.2 million (H1 2010: EUR 20.5 million). The increase in R&D expenses mainly resulted from a higher level of investment in proprietary product and technology development (excluding segment allocations) amounting to EUR 15.2 million (H1 2010: EUR 10.8 million). Sales, general and administrative expenses increased by 6 % to EUR 11.5 million (H1 2010: EUR 10.9 million). Non-cash charges related to stock-based compensation are embedded in COGS, S,G&A and R&D expenses and amounted to EUR 0.9 million (H1 2010: EUR 1.0 million).

Total Group operating profit increased to EUR 23.3 million (H1 2010: EUR 8.3 million). Partnered Discovery showed a segment operating profit of EUR 44.2 million (H1 2010: operating profit of EUR 22.2 million), while the increased investment in proprietary development led to a negative segment result of EUR 14.9 million (H1 2010: negative segment result of EUR 10.5 million). The AbD Serotec segment showed an operating profit of EUR 0.1 million (H1 2010: operating profit of EUR 0.9 million).

Non-operating items, including income tax expenses of EUR 7.2 million (H1 2010: EUR 2.9 million), resulted in expense of EUR 8.3 million (H1 2010: non-operating expense of EUR 2.4 million). For the first six months of 2011, MorphoSys realized a net profit of EUR 15.0 million compared to a net profit of EUR 5.9 million in the same period of the previous year. The resulting diluted earnings per share for the first six months of 2011 increased to EUR 0.65 (H1 2010: EUR 0.26).

On June 30, 2011, the Company had EUR 139.6 million in cash, cash equivalents, and marketable securities, compared to EUR 108.4 million as of December 31, 2010. Net cash inflow from operations in H1 2011 amounted to EUR 32.3 million (H1 2010: net cash inflow EUR 28.5 million). The number of issued shares at June 30, 2011 was 23,034,540, compared to 22,890,252 shares at December 31, 2010.

### **Financial Review of the Second Quarter of 2011 (IFRS)**

In the second quarter of 2011, revenues decreased as anticipated by 21 % to EUR 18.0 million, compared to EUR 22.9 million in the same quarter of 2010. Total operating expenses amounted to EUR 23.6 million, compared to EUR 19.3 million in the same period of 2010. The resulting loss from operations for the second quarter of 2011 amounted to EUR 5.5 million, compared to a net profit of EUR 3.6 million in the same period of 2010. A net loss of EUR 3.8 million was achieved in the second quarter of 2011, compared to a net profit of EUR 2.7 million during the same period in 2010.

### **Outlook for 2011**

As presented in February of this year, for 2011, MorphoSys anticipates total Group revenues of between EUR 105 million and EUR 110 million and anticipates an operating profit in the range of EUR 10 million to EUR 13 million. Backed by its sound financial position, MorphoSys will make investments in proprietary research and development of between EUR 40 million and EUR 45 million during 2011. For 2011, MorphoSys anticipates major progress across its product pipeline. More specifically, by the end of the year the partnered and proprietary pipeline is expected to comprise up to 22 programs in clinical trials.

MorphoSys will hold a public conference call and webcast today at **02:00 p.m. CEST** (08:00 a.m. EST, 01:00 p.m. BST) to present the Six Months Results 2011 and report on current developments.

**Dial-in number for the Conference Call (listen-only):**

Germany: +49 89 2444 32975  
 For U.K. residents: +44 20 3003 2666  
 For U.S. residents: +1 212 999 6659

Please dial in 10 minutes before the beginning of the conference.

In addition, MorphoSys offers participants the opportunity to follow the presentation through a simultaneous slide presentation online at <http://www.morphosys.com>.

A live webcast, slides, webcast replay and transcript will be made available at <http://www.morphosys.com>.

Approximately two hours after the press conference, a slide-synchronized audio replay of the conference will be available on <http://www.morphosys.com>.

**2<sup>nd</sup> Interim Financial Statements (IFRS), January – June 2011:**

**Consolidated Income Statement (IFRS)**

| €   | Three Months Ended<br>06/30/2011 | Three Months Ended<br>06/30/2010 | Six Months Ended<br>06/30/2011 | Six Months Ended<br>06/30/2010 |
|---|----------------------------------|----------------------------------|--------------------------------|--------------------------------|
| <b>Revenues</b>   | <b>18,027,171</b>                | <b>22,891,901</b>                | <b>66,608,644</b>              | <b>43,443,364</b>              |
| <b>Operating Expenses</b>                                       |                                  |                                  |                                |                                |
| Cost of Goods Sold  | 1,897,706                        | 2,079,137                        | 3,736,575                      | 3,807,638                      |
| Research and Development  | 15,544,939                       | 11,166,877                       | 28,248,511                     | 20,478,395                     |
| Sales, General and Administrative                               | 6,177,878                        | 6,008,291                        | 11,494,663                     | 10,870,374                     |
| <b>Total Operating Expenses</b>                                 | <b>23,620,523</b>                | <b>19,254,305</b>                | <b>43,479,749</b>              | <b>35,156,407</b>              |
| <b>Other Operating Income</b>                                   | <b>57,383</b>                    | <b>4,261</b>                     | <b>178,387</b>                 | <b>18,178</b>                  |
| <b>Profit / (Loss) from Operations</b>                          | <b>(5,535,969)</b>               | <b>3,641,857</b>                 | <b>23,307,282</b>              | <b>8,305,135</b>               |
| Finance Income  | 388,478                          | 714,247                          | 736,486                        | 750,614                        |
| Finance Expenses  | 49,062                           | 4,599                            | 54,064                         | 9,039                          |
| Other Income  | 149,356                          | 61,225                           | 185,959                        | 177,254                        |
| Other Expenses  | 589,414                          | 268,566                          | 1,928,567                      | 505,557                        |
| <b>Profit / (Loss) before Taxes</b>                             | <b>(5,636,611)</b>               | <b>4,144,164</b>                 | <b>22,247,096</b>              | <b>8,718,407</b>               |
| Income Tax Expenses   | (1,817,339)                      | 1,471,687                        | 7,237,820                      | 2,854,026                      |
| <b>Net Profit / (Loss)</b>                                      | <b>(3,819,272)</b>               | <b>2,672,477</b>                 | <b>15,009,276</b>              | <b>5,864,381</b>               |
| Basic Net Profit / (Loss) per Share                             | (0.17)                           | 0.12                             | 0.66                           | 0.26                           |
| Diluted Net Profit / (Loss) per Share                           | (0.16)                           | 0.12                             | 0.65                           | 0.26                           |
| Shares Used in Computing<br>Basic Net Profit/(Loss) per Share   | 22,900,654                       | 22,597,182                       | 22,876,302                     | 22,594,797                     |
| Shares Used in Computing<br>Diluted Net Profit/(Loss) per Share | 23,173,466                       | 22,685,398                       | 23,140,736                     | 22,721,085                     |

## Consolidated Balance Sheet (IFRS)

| €  | June 30, 2011      | Dec. 31, 2010      |
|--|--------------------|--------------------|
| <b>ASSETS</b>  |                    |                    |
| <b>Current Assets</b>  |                    |                    |
| Cash and Cash Equivalents                                    | 59,165,891         | 44,118,451         |
| Available-for-sale Financial Assets                          | 80,473,943         | 64,304,041         |
| Accounts Receivable  | 11,999,183         | 15,009,326         |
| Income Tax Receivables                                       | 716,114            | 499,323            |
| Other Receivables  | 510,454            | 522,520            |
| Inventories, Net   | 3,620,179          | 4,135,446          |
| Prepaid Expenses and Other Current Assets                    | 3,702,545          | 3,104,340          |
| Assets Classified as Held for Sale                           | 781,250            | 813,011            |
| <b>Total Current Assets</b>                                  | <b>160,969,559</b> | <b>132,506,458</b> |
| <b>Non-current Assets</b>                                    |                    |                    |
| Property, Plant and Equipment, Net                           | 6,388,844          | 6,189,865          |
| Patents, Net   | 9,875,562          | 10,285,264         |
| Licenses, Net  | 10,879,152         | 12,118,924         |
| Intangible Assets under Development                          | 10,513,100         | 10,513,100         |
| Software, Net  | 632,097            | 505,328            |
| Know-how and Customer Lists, Net                             | 1,438,460          | 1,685,978          |
| Goodwill   | 34,099,651         | 34,099,485         |
| Deferred Tax Asset   | 2,395,200          | 2,991,391          |
| Prepaid Expenses and Other Assets,<br>Net of Current Portion | 1,422,426          | 1,658,040          |
| <b>Total Non-current Assets</b>                              | <b>77,644,492</b>  | <b>80,047,375</b>  |
| <b>Total Assets</b>  | <b>238,614,051</b> | <b>212,553,833</b> |

| €   | June 30, 2011      | Dec. 31, 2010      |
|---|--------------------|--------------------|
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                    |                    |
| <b>Current Liabilities</b>  |                    |                    |
| Accounts Payable  | 16,230,173         | 15,614,905         |
| Licenses Payable  | 196,090            | 134,617            |
| Tax Liabilities   | 7,938,193          | 2,144,674          |
| Provisions  | 275,000            | 275,000            |
| Current Portion of Deferred Revenue   | 2,143,416          | 3,181,605          |
| <b>Total Current Liabilities</b>  | <b>26,782,872</b>  | <b>21,350,801</b>  |
| <b>Non-current Liabilities</b>  |                    |                    |
| Provisions, Net of Current Portion  | 43,344             | 43,344             |
| Deferred Revenue, Net of Current Portion  | 6,196,621          | 690,756            |
| Convertible Bonds Due to Related Parties  | 145,541            | 127,593            |
| Deferred Tax Liability  | 3,577,178          | 4,419,245          |
| <b>Total Non-current Liabilities</b>  | <b>9,962,684</b>   | <b>5,280,938</b>   |
| <b>Stockholders' Equity</b>   |                    |                    |
| Common Stock  | 23,034,540         | 22,890,252         |
| Ordinary Shares Authorized (41,935,950 and 41,935,950 for 2011 and 2010, respectively)  |                    |                    |
| Ordinary Shares Issued (23,034,540 and 22,890,252 for 2011 and 2010, respectively)      |                    |                    |
| Ordinary Shares Outstanding (22,870,625 and 22,810,356 for 2011 and 2010, respectively) |                    |                    |
| Treasury Stock (163,915 and 79,896 shares for 2011 and 2010, respectively), at Cost     | (1,756,841)        | (9,774)            |
| Additional Paid-in Capital  | 169,231,554        | 166,388,083        |
| Reserves  | (1,115,530)        | (811,963)          |
| Retained Earnings/ Accumulated Deficit  | 12,474,772         | (2,534,504)        |
| <b>Total Stockholders' Equity</b>   | <b>201,868,495</b> | <b>185,922,094</b> |
| <b>Total Liabilities and Stockholders' Equity</b>                                       | <b>238,614,051</b> | <b>212,553,833</b> |

## Condensed Statement of Cash Flows (IFRS)

| For the Six Months Period Ended in EURO                  | June 30, 2011 | June 30, 2010 |
|--|---------------|---------------|
| Net Profit   | 15,009,276    | 5,864,381     |
| Net Cash Provided by Operating Activities                | 32,252,265    | 28,546,907    |
| Net Cash Used in Investing Activities                    | (17,637,571)  | (26,497,657)  |
| Net Cash Provided by Financing Activities                | 492,370       | 47,898        |
| Effect of Exchange Rate Differences on Cash              | (59,624)      | 108,889       |
| Increase in Cash and Cash Equivalents                    | 15,047,440    | 2,206,037     |
| Cash and Cash Equivalents at the Beginning of the Period | 44,118,451    | 41,255,316    |
| Cash and Cash Equivalents at the End of the Period       | 59,165,891    | 43,461,353    |

The complete 2<sup>nd</sup> Interim Report 2011 (January - June) is available on our website:  
<http://www.morphosys.com/FinancialReports>

### About MorphoSys:

MorphoSys is an independent biotechnology company that develops novel antibodies for therapeutic, diagnostic and research applications. The Company's HuCAL technology is one of the most powerful methods available for generating fully human antibodies. By successfully applying this and other proprietary technologies, MorphoSys has become a leader in the field of therapeutic antibodies, one of the fastest-growing drug classes in human health-care. Through its alliances with some of the world's leading pharmaceutical companies, MorphoSys has created a pipeline of more

than 60 drug candidates. The Company is expanding its drug pipeline by adding new partnered programs, and by building a portfolio of fully-owned therapeutic antibodies. For its proprietary portfolio, the Company is focused on the areas of oncology and inflammation. Its most advanced program MOR103, a first-in-class, fully human antibody against GM-CSF, is currently being tested in a Phase Ib/IIa trial in rheumatoid arthritis patients. Via its business unit AbD Serotec, MorphoSys is expanding the reach of its technologies in the diagnostics and research markets. MorphoSys is headquartered in Munich, Germany and listed on the Frankfurt Stock Exchange under the symbol "MOR". For further information, visit <http://www.morphosys.com/>

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*This communication contains certain forward-looking statements concerning the MorphoSys group of companies. The forward-looking statements contained herein represent the judgment of MorphoSys as of the date of this release and involve risks and uncertainties. Should actual conditions differ from the Company's assumptions, actual results and actions may differ from those anticipated. MorphoSys does not intend to update any of these forward-looking statements as far as the wording of the relevant press release is concerned.*

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