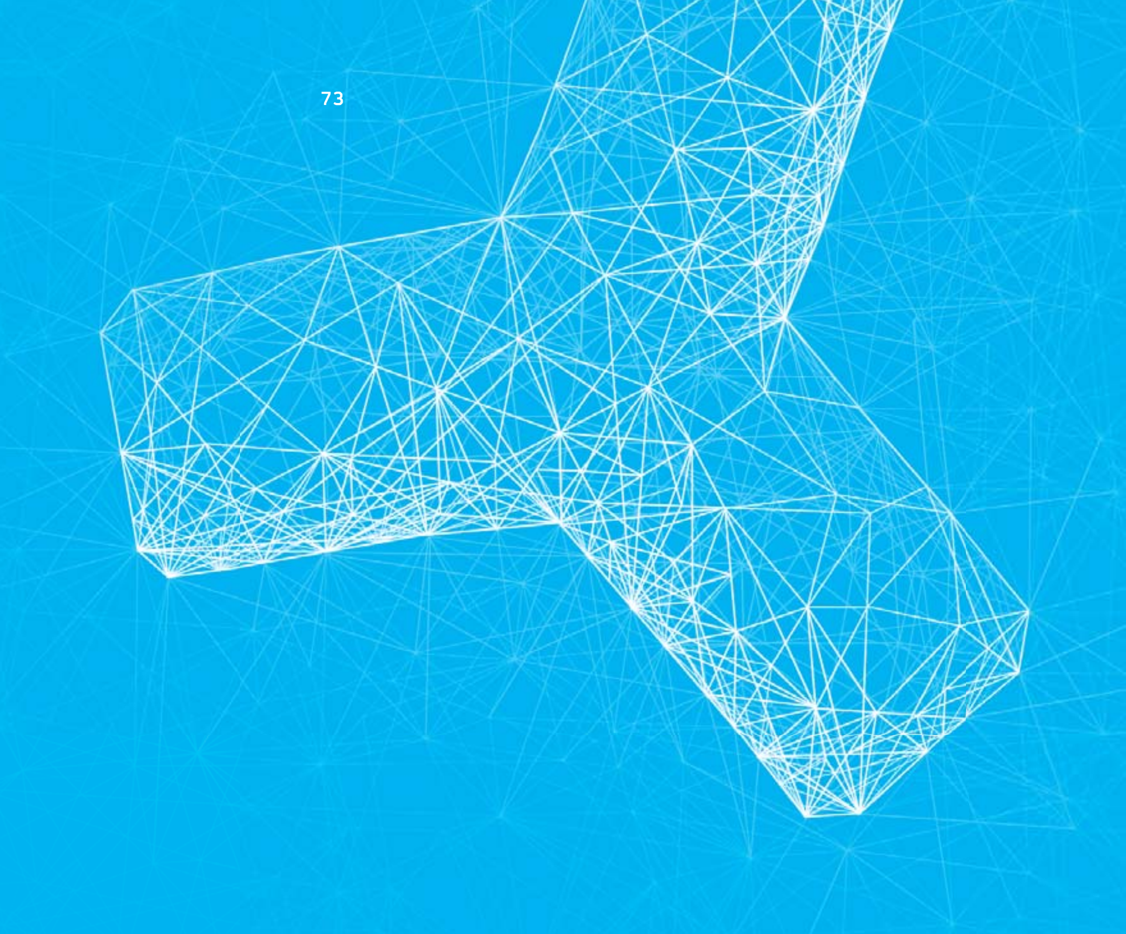
CONTENTS

FINANCIAL STATEMENTS



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement (IFRS)*

in €	Note	2012	2011
Continuing Operations			
Revenues	2.7, 4	51,916,986	82,077,245
Operating Expenses			
Cost of Goods Sold	2.8, 3	0	0
Research and Development		37,673,345	55,878,828
Sales, General and Administrative		12,081,649	14,930,403
Total Operating Expenses		49,754,994	70,809,231
Other Income	6	415,477	533,502
Other Expenses	6	85,454	2,007,934
Earnings before Interest and Taxes (EBIT)		2,492,015	9,793,582
Finance Income	6	658,991	1,453,616
Finance Expenses	6	98,931	54,197
Income Tax Expenses	7	(685,812)	(2,990,914)
Profit for the Year from Continuing Operations		2,366,263	8,202,087
(Loss) / Profit for the Year from Discontinued Operations	17	(424,118)	14,310
Consolidated Net Profit		1,942,145	8,216,397
Basic Net Profit per Share	8	0.08	0.36
thereof from Continuing Operations	8	0.10	0.36
thereof from Discontinued Operations	8	(0.02)	0.00
Diluted Net Profit per Share	8	0.08	0.36
thereof from Continuing Operations	8	0.10	0.35
thereof from Discontinued Operations	8	(0.02)	0.00
Shares Used in Computing Basic Net Profit per Share	8	23,004,894	22,887,723
Shares Used in Computing Diluted Net Profit per Share	8	23,260,360	23,126,158

See accompanying Notes

* Due to the Agreement between Bio-Rad and MorphoSys, signed in December 2012, to acquire substantially all of the segment AbD Serotec, for the years 2012 and 2011, revenue, income and expenses in connection with the transaction are shown in the line item 'Profit for the Year from Discontinued Operations'. All other line items above 'Net Profit' consist of amounts from continuing operations. See also note 17 of these Notes.

Consolidated Statement of Comprehensive Income (IFRS)

in €	2012	2011
Consolidated Net Profit	1,942,145	8,216,397
Change in Unrealized Gains and Losses on Available-for-sale Financial Assets	(178,483)	(260,949)
(Thereof Reclassifications of Unrealized Gains and Losses to Profit and Loss)	420,546	(886,717)
Deferred Taxes	46,995	68,708
Change in Unrealized Gains and Losses on Available-for-sale Financial Assets, Net of Deferred Tax	(131,488)	(192,241)
Effects from Equity-related Recognition of Deferred Taxes	6,005	76,798
Foreign Currency Gain from Consolidation	182,460	247,307
Comprehensive Income	1,999,122	8,348,261
thereof from Continuing Operations	2,234,775	8,009,846
thereof from Discontinued Operations	(235,653)	338,415

See accompanying Notes

Consolidated Balance Sheet (IFRS)

in €	Note	12/31/2012*	12/31/2011**
ASSETS			
Current Assets			
Cash and Cash Equivalents	9, 21	40,689,865	54,596,099
Available-for-sale Financial Assets	10, 21	79,722,222	79,768,563
Accounts Receivable	11, 21	8,924,197	12,203,237
Tax Receivables	13	109,789	215,620
Other Receivables	12	10,297,901	375,360
Inventories, Net	13	757,386	3,281,240
Prepaid Expenses and Other Current Assets	13	2,357,163	3,467,402
Total Current Assets		142,858,523	153,907,521
Non-current Assets			
Property, Plant and Equipment, Net	14	3,191,837	6,106,318
Patents, Net	15	8,666,367	9,459,580
Licenses, Net	15	7,128,425	9,551,394
Intangible Assets under Development	15	10,513,100	10,513,100
Software, Net	15	1,351,932	1,055,405
Know-how and Customer Lists, Net	15	0	1,341,159
Goodwill	15, 18	7,352,467	34,107,455
Shares available for Sale, net of Current Portion		881,633	0
Deferred Tax Asset	7	0	164,949
Prepaid Expenses and Other Assets, Net of Current Portion	13, 16	1,489,063	1,418,542
Total Non-current Assets		40,574,825	73,717,902
Assets of Disposal Group Classified as Held for Sale	17	40,855,433	785,027
TOTAL ASSETS		224,288,780	228,410,450

See accompanying Notes

* Due to the Agreement between Bio-Rad and MorphoSys, signed in December 2012, to acquire substantially all of the segment AbD Serotec, for the year 2012, current and non-current assets in connection with the transaction are shown in the line item 'Assets of Disposal Group Classified as Held for Sale'. See also note 17 of these Notes.

** No reclassification of assets for the disposal group was necessary for the year 2011.

in €	Note	12/31/2012*	12/31/2011**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable and Accrued Expenses	19, 21	10,660,090	19,110,798
Tax Liabilities	7, 20	629,686	3,026,597
Provisions	20	0	275,000
Current Portion of Deferred Revenue	2.7	628,167	1,338,282
Total Current Liabilities		11,917,943	23,750,677
Non-current Liabilities			
Provisions, Net of Current Portion	20	187,521	108,145
Deferred Revenue, Net of Current Portion	2.7	5,915,102	6,047,253
Convertible Bonds due to Related Parties	23	73,607	73,607
Deferred Tax Liability	7	452,074	1,295,174
Total Non-current Liabilities		6,628,304	7,524,179
Liabilities of Disposal Group Classified as Held for Sale		3,732,516	0
Total Liabilities		22,278,763	31,274,856
Stockholders' Equity	22, 23, 24, 26		
Common Stock		23,358,228	23,112,167
Ordinary Shares Authorized (43,142,455 and 43,047,264 for 2012 and 2011, respectively)			
Ordinary Shares Issued (23,358,228 and 23,112,167 for 2012 and 2011, respectively)			
Ordinary Shares Outstanding (23,102,813 and 22,948,252 for 2012 and 2011, respectively)			
Treasury Stock (255,415 and 163,915 shares for 2011 and 2011, respectively), at Cost		(3,594,393)	(1,756,841)
Additional Paid-in Capital		175,245,266	170,778,474
Revaluation Reserve		486,743	612,227
Translation Reserve		(1,109,865)	(1,292,326)
Accumulated Income		7,624,038	5,681,893
Total Stockholders' Equity		202,010,017	197,135,594
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**224,288,780**	**228,410,450**

See accompanying Notes

* Due to the Agreement between Bio-Rad and MorphoSys, signed in December 2012, to acquire substantially all of the segment AbD Serotec, for the year 2012, current and non-current liabilities in connection with the transaction are shown in the line item 'Liabilities of Disposal Group Classified as Held for Sale'. See also note 17 of these Notes.

** No reclassification of liabilities for the disposal group was necessary for the year 2011.

Consolidated Statement of Changes in Stockholders' Equity (IFRS)

	Common Stock	
	Shares	€
BALANCE AS OF 1 JANUARY 2011	**22,890,252**	**22,890,252**
Compensation Related to the Grant of Stock Options and Convertible Bonds	0	0
Exercise of Options and Convertible Bonds Issued to Related Parties	221,915	221,915
Repurchase of Treasury Stock	0	0
Reserves:		
Change in Unrealized Gain on Available-for-sale Financial Assets, Net of Deferred Tax	0	0
Effects from Equity-related Recognition of Deferred Taxes	0	0
Foreign Currency Gains and Losses from Consolidation	0	0
Consolidated Net Profit for the Period	0	0
Comprehensive Income	0	0
BALANCE AS OF 31 DECEMBER 2011	**23,112,167**	**23,112,167**
BALANCE AS OF 1 JANUARY 2012	**23,112,167**	**23,112,167**
Compensation Related to the Grant of Stock Options and Convertible Bonds	0	0
Exercise of Options and Convertible Bonds Issued to Related Parties	246,061	246,061
Repurchase of Treasury Stock	0	0
Reserves:		
Change in Unrealized Gain on Available-for-sale Financial Assets, Net of Deferred Tax	0	0
Effects from Equity-related Recognition of Deferred Taxes	0	0
Foreign Currency Gains and Losses from Consolidation	0	0
Consolidated Net Profit for the Period	0	0
Comprehensive Income	0	0
BALANCE AS OF 31 DECEMBER 2012	**23,358,228**	**23,358,228**

See accompanying Notes

Treasury Stock Shares	Treasury Stock €	Additional Paid-in Capital €	Revaluation Reserve €	Translation Reserve €	Accumulated Income €	Total Stockholders' Equity €
79,896	**(9,774)**	**166,388,083**	**727,669**	**(1,539,632)**	**(2,534,504)**	**185,922,094**
0	0	1,488,342	0	0	0	1,488,342
0	0	2,902,049	0	0	0	3,123,964
84,019	(1,747,067)	0	0	0	0	(1,747,067)
0	0	0	(192,241)	0	0	(192,241)
0	0	0	76,798	0	0	76,798
0	0	0	0	247,307	0	247,307
0	0	0	0	0	8,216,397	8,216,397
0	0	0	(115,443)	247,307	8,216,397	8,348,261
163,915	**(1,756,841)**	**170,778,474**	**612,226**	**(1,292,325)**	**5,681,893**	**197,135,594**
163,915	**(1,756,841)**	**170,778,474**	**612,226**	**(1,292,325)**	**5,681,893**	**197,135,594**
0	0	1,268,792	0	0	0	1,268,792
0	0	3,198,000	0	0	0	3,444,061
91,500	(1,837,552)	0	0	0	0	(1,837,552)
0	0	0	(131,488)	0	0	(131,488)
0	0	0	6,005	0	0	6,005
0	0	0	0	182,460	0	182,460
0	0	0	0	0	1,942,145	1,942,145
0	0	0	(125,483)	182,460	1,942,145	1,999,122
255,415	**(3,594,393)**	**175,245,266**	**486,743**	**(1,109,865)**	**7,624,038**	**202,010,017**

Consolidated Statement of Cash Flows (IFRS)*

in €	Note	2012	2011
OPERATING ACTIVITIES:			
Consolidated Net Profit		1,942,145	8,216,397
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities:			
Impairment of Assets	14, 15	180,237	236,362
Depreciation and Amortization of Tangible and Intangible Assets	14, 15	6,310,535	6,628,779
Net Gain on Sales of Financial Assets	10	(480,912)	(1,085,911)
Purchases of Derivative Financial Instruments	12	(40,870)	(220,921)
Proceeds from the Disposal of Derivative Financial Instruments	12	0	386,208
Unrealized Net (Gain) / Loss on Derivative Financial Instruments	12	40,870	(20,993)
Loss / (Gain) on Sale of Property, Plant and Equipment/Intangible Assets		4,319	(44,216)
Net Gain on Sale of Assets Classified as Available for Sale	17	(5,547)	0
Recognition of Deferred Revenue	2.7	(20,088,086)	(19,980,232)
Stock-based Compensation	23, 24, 25, 26	1,348,167	1,538,807
Income Tax Expenses	7	467,199	3,190,278
Changes in Operating Assets and Liabilities:			
Accounts Receivable	11	1,575,045	2,839,264
Prepaid Expenses, Other Assets and Tax Receivables	13	(495,812)	(34,967)
Accounts Payable and Accrued Expenses and Provisions	19, 20	(8,461,445)	3,501,662
Other Liabilities		101,112	(80,312)
Deferred Revenue	2.7	19,680,503	23,493,407
Interest Paid		(744)	(3,459)
Interest Received		179,588	361,916
Income Taxes Paid		(466,290)	(1,851,609)
Net Cash Provided by Operating Activities	21	1,790,014	27,070,459
thereof from Continuing Operations		740,608	25,436,061
thereof from Discontinued Operations	17	1,049,406	1,634,398

See accompanying Notes

* Due to the Agreement between Bio-Rad and MorphoSys, signed in December 2012, to acquire substantially all of the segment AbD Serotec, for the years 2012 and 2011, items in connection with the transaction are shown in the respective 'thereof from Discontinued Operations' line item. The main line items show the amounts for the Group. See also note 17 of these Notes.

in €	Note	2012	2011
INVESTING ACTIVITIES:			
Purchases of Financial Assets	10	(30,768,599)	(50,686,269)
Proceeds from Sales of Financial Assets	10	31,053,715	36,046,710
Purchase of Assets Classified as Loans and Receivables	12	(10,000,000)	0
Purchase of Shares Classified as Available for Sale	2.16	(881,633)	0
Purchases of Property, Plant and Equipment	14	(1,016,539)	(2,320,353)
Proceeds from Disposals of Property, Plant and Equipment		0	152,081
Purchases of Intangible Assets	15	(1,294,661)	(1,284,629)
Proceeds from Disposal of Assets Classified as Available for Sale	17	816,591	0
Net Cash Used in Investing Activities	21	(12,091,126)	(18,092,460)
thereof from Continuing Operations		(11,824,020)	(17,512,260)
thereof from Discontinued Operations	17	(267,106)	(580,200)
FINANCING ACTIVITIES:			
Repurchase Treasury Stock	22	(1,837,552)	(1,747,066)
Proceeds from the Exercise of Options and Convertible Bonds Granted to Related Parties	22, 23, 24	3,444,061	3,139,488
Net of Proceeds and Payments from the Issuance of Convertible Bonds Granted to Related Parties		0	(53,986)
Net Cost of Share Issuance		0	(15,500)
Net Cash Provided by Financing Activities		1,606,509	1,322,936
thereof from Continuing Operations		1,606,509	1,322,936
thereof from Discontinued Operations	17	0	0
Effect of Exchange Rate Differences on Cash		69,344	176,713
Increase in Cash and Cash Equivalents		(8,625,259)	10,477,648
Cash and Cash Equivalents at the Beginning of the Period		54,596,099	44,118,451
Cash and Cash Equivalents at the End of the Period	9	45,970,840	54,596,099
thereof included in Cash and Cash Equivalents		40,689,865	54,596,099
therof included in Assets of Disposal Group Classified as Held for Sale	17	5,280,975	0

See accompanying Notes

Notes

1 General Information

1.1 BUSINESS AND ORGANIZATION

MorphoSys AG ("the Company" or "MorphoSys") is one of the leading antibody companies focusing on the generation of fully human antibodies. MorphoSys's proprietary state-of-the-art technologies, together with over 15 years of focused antibody discovery and optimization know-how, are successfully applied to the development of research reagents, diagnostics and therapeutics for both its commercial partners and itself. The Company was founded in July 1992 as a German limited liability company. In June 1998, MorphoSys became a German stock corporation. In March 1999, the Company went public on Germany's "Neuer Markt", the stock exchange designated for high-growth enterprises. On 15 January 2003, MorphoSys AG was admitted to the Prime Standard segment of the Frankfurt Stock Exchange.

1.2 CONSOLIDATED COMPANIES

MorphoSys AG has five wholly owned subsidiaries (together referred to as the "MorphoSys Group" or "Group"):

MorphoSys USA, Inc., Charlotte, North Carolina, USA, was incorporated in the United States on 16 February 2000. The subsidiary's purpose was to assist the Company in the sale and licensing of MorphoSys AG products. MorphoSys USA, Inc. ceased its operations in November 2002.

MorphoSys IP GmbH, Martinsried, Germany, was incorporated in Munich, Germany on 6 November 2002. The subsidiary's purpose is to purchase, maintain and administer certain intangible assets of the MorphoSys Group. The Company's operations are physically located on the premises of MorphoSys AG, and operations commenced on 31 December 2002.

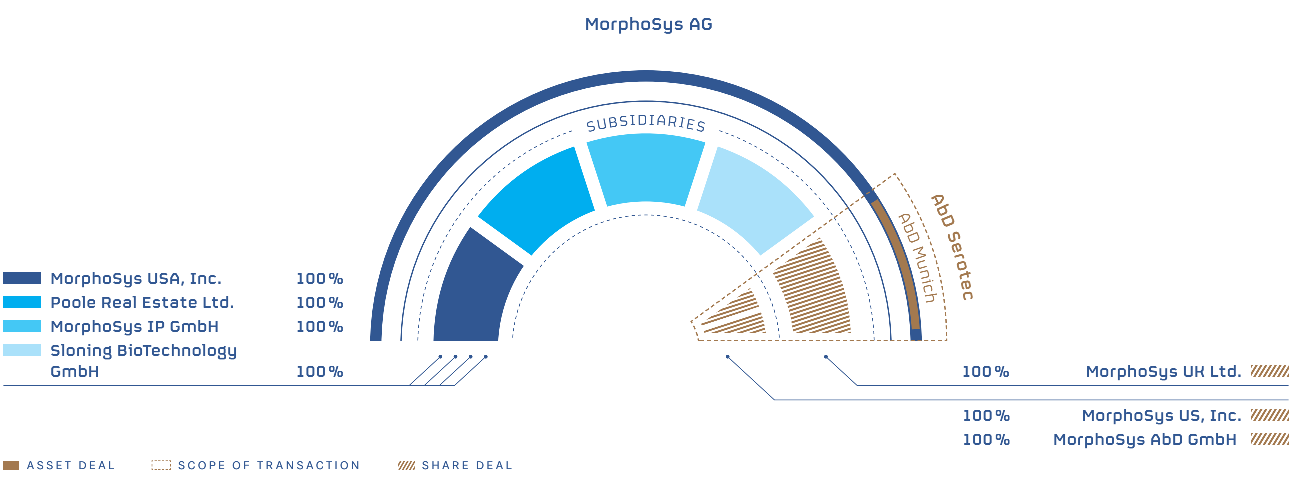
In January 2005, MorphoSys acquired Biogenesis Ltd., Poole, UK, and Biogenesis, Inc., New Hampshire, USA. Biogenesis UK was first renamed MorphoSys UK Ltd. and in 2007 again renamed Poole Real Estate Ltd. Biogenesis, Inc. was renamed MorphoSys US, Inc. and merged into Serotec, Inc. The merged entity resumed the name MorphoSys US, Inc. located in Raleigh, North Carolina, USA.

Serotec Ltd., Oxford, UK, with its subsidiaries Serotec, Inc., Raleigh, USA, Serotec GmbH, Düsseldorf, Germany, and Oxford Biotechnology Ltd. (together referred to as the "Serotec Group") was acquired by MorphoSys in January 2006 and became a wholly owned subsidiary of MorphoSys AG. The Serotec Group has been integrated into MorphoSys's existing AbD segment. Oxford Biotechnology Ltd. was dissolved in the financial year 2009.

Serotec Ltd. and Serotec, Inc. were renamed MorphoSys UK Ltd. and MorphoSys US, Inc. as of January 2007. Serotec GmbH was renamed MorphoSys AbD GmbH as of March 2007.

In October 2010, MorphoSys acquired 100% of the shares in Sloning BioTechnology GmbH, a private company located in Puchheim near Munich, Germany.

FIG. 18 /// LEGAL STRUCTURE OF THE MORPHOSYS GROUP



MorphoSys AG and a subsidiary of Bio-Rad Laboratories Inc., Hercules/California, USA (Bio-Rad Inc.) agreed to acquire all shares of MorphoSys UK Ltd., Oxford, UK (MorphoSys UK) on 16 December 2012 with the notarial authentication of 17 December 2012. The takeover also comprised all of the shares in MorphoSys UK's subsidiaries. At the time of signing on 16 December 2012, MorphoSys UK held all of the shares of MorphoSys AbD GmbH, Düsseldorf, Germany and MorphoSys US Inc., Raleigh, USA (MorphoSys US). Additionally, MorphoSys AG and a further subsidiary of Bio-Rad Laboratories Inc. agreed at 16 December 2012 upon the takeover of individual assets (trademarks) of the AbD Serotec segment and the purchase of a non-exclusive license for the use of the HuCAL technology in the market for research reagents and diagnostics. After the takeover of the shares in MorphoSys UK by the subsidiary of Bio-Rad Inc., it was agreed on 16 December 2012, that all assets and liabilities attributed to the AbD-Serotec segment of MorphoSys AG shall be transferred to MorphoSys AbD GmbH. Bio-Rad Inc., Bio-Rad Inc.'s subsidiaries including MorphoSys AbD GmbH are hereinafter referred to as „acquirer" or „Bio-Rad", respectively. The shares of MorphoSys AG in Poole Real Estate Ltd., Poole, GB, were not sold. The completion of the transaction depended on the fulfillment of certain conditions. Substantially all of the AbD Serotec segment was transferred at the closing date (10 January 2013) due to the fulfillment of the previously defined obligations. Hence, at 31 December 2012, substantially all of the AbD Serotec segment was classified as discontinued operation in accordance with IFRS 5, hereinafter referred to as "discontinued operation". The operating segments Partnered Discovery and Proprietary Development as well as the non-discontinued operations of the AbD Serotec segment qualified as "continued operations" as of the balance sheet date. The presentation of the net assets, the financial position and the results of operations of MorphoSys Group follows the basic concept of IFRS 5 in this respect.

MorphoSys IP GmbH applied sec. 264 para. 3 of the German Commercial Code (HGB). For this reason, no separate financial statements for the year 2012 are published in the Federal Gazette for MorphoSys IP GmbH.

The consolidated financial statements for the year ended 31 December 2012 were authorized for issuance in accordance with a resolution of the Management Board on 18 February 2013. The Management Board is represented by Dr. Simon E. Moroney (Chief Executive Officer), Jens Holstein (Chief Financial Officer), Dr. Marlies Sproll (Chief Scientific Officer) and Dr. Arndt Schottelius (Chief Development Officer). The Supervisory Board is empowered to amend the financial statements after the resolution of the Management Board. The registered offices of the MorphoSys Group's headquarters are located at Lena-Christ-Straße 48, 82152 Martinsried, Germany.

2 Summary of Significant Accounting Policies

2.1 BASIS OF PREPARATION AND CHANGE IN PRESENTATION

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

The consolidated financial statements of the Company for the year ended 31 December 2012 comprise MorphoSys AG and its subsidiaries (together referred to as the "MorphoSys Group" or the "Group").

The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The consolidated financial statements are presented in euro, which is the functional currency for the MorphoSys Group. They are prepared on the historical cost convention, except for the following assets and liabilities, which are stated at their fair value: derivative financial instruments and available-for-sale financial assets. All figures in this report are rounded either to the nearest euro, thousand euros or million euros.

In 2012, MorphoSys changed the structuring of its income statement, now presenting EBIT rather than operating profit to increase comparability with its peer companies. From Q1 2012 onwards, EBIT does no longer include gains/losses on marketable securities, gains/losses on derivatives and bank fees. These items are now presented together with interest income/expenses as "Finance Income" and "Finance Expenses", respectively. "Other Income" and "Other Expenses" mainly comprise gains and losses resulting from foreign exchange effects as well as income from governmental grants. To provide comparative information, prior year's figures were adjusted accordingly.

In 2011, the Group reported 'Assets Classified as Held for Sale' within Current Assets in the balance sheet. In 2012, this item is reported in the new line item 'Assets of Disposal Group Classified as Held for Sale' together with the assets belonging to the discontinued operations – substantially all of the segment AbD Serotec. To provide better transparency, prior year's figures were adjusted accordingly. As of 31 December 2011, the 'Assets of Disposal Group Classified as Held for Sale' comprised the commercial real estate owned by the subsidiary, Poole Real Estate Ltd., Poole, UK, with a net book value of € 0.8 million (31 December 2012: 0 €). In March 2012, MorphoSys sold this real estate for € 0.8 million.

To provide better transparency, the presentation of reserves within the balance sheet was divided into 'Revaluation Reserve' and 'Translation Reserve'. To provide comparative information, prior year's figures were adjusted accordingly.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless stated otherwise.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

NEW AND AMENDED STANDARDS THAT ARE EXPECTED TO HAVE NO IMPACT ON THE GROUP

- The amendments to IFRS 7 "Financial instruments: Disclosures" to additional disclosure obligations relating to the transfer of financial assets have no impact on the Group.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE FOR THE FINANCIAL YEAR BEGINNING 1 JANUARY 2012 AND NOT EARLY ADOPTED

- IFRS 1 "First-time Adoption": The aim of the amendment is the introduction of a new exemption clause for the scope of IFRS 1: Entities which have been subject to hyperinflation, are allowed to present in the IFRS opening balance the fair values of their assets and liabilities instead of their amortized costs. A further amendment related to the formerly used reference to the date 1 January 2004 as fixed transition date; this formulation was replaced through the general formulation "date of transition to IFRS". The Group is yet to assess the full impact of IFRS 1 and intends to adopt IFRS 1 no later than the accounting period beginning on or after 1 January 2013.
- Amendments to IFRS 7 "Financial instruments: Disclosures": IFRS 7 regulates disclosures on financial instruments. The amendment relates to the netting of financial assets and financial liabilities. This relates especially to all recognized assets, which are netted in accordance with IAS 32.42. In accordance with the new disclosure obligations of IFRS 7, the gross amounts before settlement as well as the net amounts after settlement shall be disclosed in accordance with IAS 32.42. Furthermore, the entity shall made disclosures on financial instruments, whose liquidation is subject to claimable global offset conditions or similar liabilities to provide a better traceability of netting activities. The Group is yet to assess the full impact of IFRS 7 and intends to adopt IFRS 7 no later than the accounting period beginning on or after 1 January 2013.
- IFRS 10 „Consolidated Financial Statements": This standard replaces the consolidation guidance in IAS 27 and SIC-12 by introducing one single consolidation model for all companies, which is based on the concept of control, regardless of the type of invested company (regardless of the type, how the invested company is controlled, either by voting rights from the investor or contractual obligations, as it is standard in case of special purpose entities). The standard replaces the provisions of IAS 27 "Separate Financial Statements" as well as the provisions of SIC-12 "Consolidation – special purpose entities". Therefore, IAS 27 will treat regulations concerning individual financial statements prospectively and is referred to as "Separate Financial Statements". Main focus of IFRS 10 is the introduction of a standard consolidation model for all entities, which is focused on the control of the subsidiary. The new concept of a single definition for the term "control" determines in the future, whether an entity must be consolidated. The definition provides guidelines about how the reporting company (investor) controls another company (associate company) and therefore a consolidation should take place. The Group is yet to assess the full impact of IFRS 10 and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2014.
- IFRS 11 „Joint Arrangements ": IFRS 11 introduces new guidelines for handling joint arrangements, and replaces IAS 31 "Interests in Joint Ventures" and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Partner Companies. The standard introduces new requirements on the identification, classification and accounting for jointly controlled operations. The proportional consolidation method handling the accounting of jointly controlled entities was cancelled. In addition to that, IFRS 11 comprises guidelines for joint operations and joint ventures, as jointly controlled assets were abolished. Focusing on the economic dimension, the classification is done in accordance with the type of rights and obligations arising from agreements. The Group is yet to assess the full impact of IFRS 11 and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2014.
- IFRS 12 "Disclosure of Interests in Other Entities": IFRS 12 merges the revised disclosure requirements for all forms of participation including joint arrangements, associated companies, special purpose entities and other non-consolidated participations. IFRS 12 improves disclosures for consolidated as well as for non-consolidated companies, in which the Company is invested. The standard requires more extensive as well as more meaningful notes than IAS 27. For example, notes regarding the type, size and importance of the relationship to other companies, including consolidated and non-consolidated companies (special purpose entities), are mandatory. The Group is yet to assess the full impact of IFRS 12 and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2014.
- IFRS 13 "Fair Value Measurement": IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for the application of all International Financial Reporting Standards. The amendment aims to clarify how a fair value measurement shall be performed. Various IFRSs contain guidance on the valuation of specific accounting issues or items. The Group is yet to assess the full impact of IFRS 13 and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

- IAS 1 "Presentation of Financial Statements": The main impact resulting from the amendments of IAS 1 is the requirement for the entities to classify the items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially re-classifiable to profit or loss at a later point in time (reclassification adjustments). The amendments do not address which items are presented in OCI. The presentation of components of OCI, which are re-classified to profit and loss in later periods, and components of OCI, which are not re-classified, shall be done separately from now on. Income taxes in case of a pre-tax presentation shall be treated accordingly. Income taxes shall be presented separately as re-classifiable and non re-classifiable items. The option to present OCI items before or after tax will remain. The amendments of IAS 1 have to be implemented for accounting periods beginning on or after 1 July 2012. The Group is yet to assess the full impact of these amendments and intends to adopt IAS 1 no later than the accounting period beginning on or after 1 July 2012.
- IAS 12 „Income Tax": A company is obliged (with few exceptions) to account for deferred tax liabilities/assets to the extent that the recovery of the carrying amount of the asset or the liability would result in higher/lower tax payments in the future. The amendment offers a practical solution for the question whether the carrying amount of an asset is recovered by way of usage or disposal. It is a rebuttable presumption that the recovery of the carrying amount usually happens by way of disposal. The Group is yet to assess the full impact of IAS 12 and intends to adopt IAS 12 no later than the accounting period beginning on or after 1 January 2013.
- IAS 19 "Employee Benefits": The most significant amendment of IAS 19 is the direct recognition of unexpected future changes of pension obligations as well as eventual changes in plan assets, so-called actuarial gains or losses, in other comprehensive income (OCI). The previous choice between a direct recognition in profit and loss, in other comprehensive income (OCI), or the time-delayed recognition in accordance with the so-called corridor method, are abolished. The Group is yet to assess the full impact of IAS 19 and intends to adopt IAS 19 no later than the accounting period beginning on or after 1 January 2013.
- IAS 27 „Separate Financial Statements": IAS 27 (revised 2011) comprises all guidelines applying to separate financial statements, which remained after having included the consolidation guidance in IFRS 10 "Consolidated Financial Statements" which was previously contained in IAS 27. Amendments to IFRS 12 also have an impact on IAS 27. The Group is yet to assess the full impact of IAS 27 and intends to adopt IAS 27 no later than the accounting period beginning on or after 1 January 2014.
- IAS 28 "Investments in Associates": IAS 28 (revised 2011) includes the guidance for the share in joint ventures as well as associates, which are measured by using the equity method in accordance with IFRS 11. In future periods, joint ventures have to be accounted for by using the equity method in accordance with IAS 28, because the proportionate consolidation of jointly operated companies in IFRS 11 was abandoned. Additional amendments to IAS 28 ensure that - in case of planned partial sales of an associate or a joint venture - the respective disposal group has to be presented in accordance with IFRS 5 "Non-current Assets held for Sale and Discontinued Operations", provided that the classification requirements of IFRS 5 are met. The Group is yet to assess the full impact of IAS 28 and intends to adopt IAS 28 no later than the accounting period beginning on or after 1 January 2014.
- IAS 32 "Financial Instruments – Presentation": IAS 32 deals with the presentation and disclosure of all types of financial instruments. Additional disclosure requirements implemented in IFRS 7will come into effect in order to facilitate a comparison with US standards. The established netting model will remain in place. The amendment affects the two requirements of IAS 32.42 regarding a netting:
  - For netting a financial asset and a financial liability, the right to offset shall not depend on future events and shall remain in place even in the event of insolvency and bankruptcy of the business partner.
  - In the event that transactions with financial instruments are handled via settlement systems (e. g. a clearing house), the netting of financial assets and financial liabilities requires that the transaction takes place without the occurrence of any credit and liquidity risks and within the same settlement process or settlement cycle.

  The amendments to IAS 32 have to be applied retrospectively, that is by adjusting the comparative figures for financial years beginning on or after 1 January 2014. The Group is yet to assess the full impact of these amendments and intends to adopt IAS 32 no later than the accounting period beginning on or after 1 January 2014.
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine": It is expected that the amendments have to be applied to financial years beginning on or after 1 January 2013. The interpretation deals with the recognition and valuation of stripping costs incurred during the production phase of a surface mine. After examination of IFRIC 20, the Group does not expect that the amendments will have any impact on the Group.

NEW AND AMENDED STANDARDS DISCLOSED BUT NOT YET ENDORSED BY THE EUROPEAN UNION ("ENDORSEMENT")

- Amendments to IFRS 1 "First-time Adoption" - government grants: It is expected that the amendments have to be applied to financial years beginning on or after 1 January 2013. The Group is yet to assess the full impact of IFRS 1.
- IFRS 9 "Financial Instruments", amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" - mandatory effective date and transition disclosures: It is expected that the amendments have to be applied to financial years beginning on or after 1 January 2015. The Group is yet to assess the full impact of IFRS 9 and the impact of the amendments.

- Amendments to transitional provisions relating to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements”, and IFRS 12 “Disclosure of Interests in Other Entities”: It is expected that the amendments have to be applied to financial years beginning on or after 1 January 2013. The Group is yet to assess the full impact of the amendments.
- Amendments to transitional provisions relating to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 27 “Consolidated and Separate Financial Statements” – investment entities: It is expected that the amendments have to be applied to financial years beginning on or after 1 January 2014. The Group is yet to assess the full impact of the amendments.
- Annual improvements of the International Financial Accounting Standards (May 2012): It is expected that the amendments have to be applied to financial years beginning on or after 1 January 2013. The Group is yet to assess the full impact of the amendments.

2.3 BASIS OF CONSOLIDATION

Intercompany balances and transactions and any realized gains arising from intercompany transactions are eliminated for preparing the consolidated financial statements in accordance with IAS 27.20. Unrealized losses are eliminated in the same way as unrealized gains, but are considered to be an impairment indicator of the assets transferred. Accounting policies have been applied consistently for all subsidiaries.

2.4 BUSINESS COMBINATIONS

The Group applies IFRS 3 (revised) “Business Combinations” (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments in connection with purchasing a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. All acquisition-related costs are expensed.

2.5 FOREIGN CURRENCY TRANSLATION

IAS 21 “The Effects of Changes in Foreign Exchange Rates” defines the accounting for transactions and balances in foreign currencies. Transactions in foreign currencies are translated at the foreign exchange rate as of the date of the transaction. Foreign exchange rate differences arising on these translations are recognized in the income statement. On the balance sheet date, assets and liabilities are translated at the closing rate, and income and expenses are translated at the average exchange rate for the period. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Any foreign exchange rate differences deriving from these translations are recorded in profit and loss. All foreign exchange rate differences deriving from these translations are recorded in the Consolidated Income Statement. Any further foreign exchange rate differences on Group level are recognized in the translation reserve (equity).

2.6 INTEREST

The Group uses interest rates to calculate fair values. For stock-based compensation calculation, MorphoSys uses for convertible bonds the interest rate of a German government bond with a duration of five years at grant date and for stock options the interest rate of a German government bond with a duration of three years at grant date.

2.7 REVENUE RECOGNITION

The Group’s revenues include license and milestone fees, service fees and revenue for the sale of goods.

LICENSE AND MILESTONE FEES

Revenues related to non-refundable technology access fees, subscription fees and license fees are deferred and recognized on a straight-line basis over the relevant periods of the agreement, generally the research term or the estimated useful life of the collaborations for those contracts without a stimulated term unless a more accurate means of recognizing revenue is available. If all of the criteria of IAS 18.14 are met, revenue is recognized in full. Milestone fees are recognized upon achievement of certain contractual criteria.

SERVICE FEES

Research and development collaboration service fees are recognized in the period when the services are provided.

SALE OF GOODS

Revenue from the sale of goods in the AbD Serotec segment is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably.

If it is probable the discounts will be granted and the amount can be reliably determined, then the discount is recognized as a reduction of revenue as the sales are recognized. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

In accordance with IAS 18.21 and 18.25, the total consideration in multiple-element transactions will be allocated among the separately identifiable components based on their respective fair values and application of IAS 18.20, and the applicable revenue recognition criteria will be considered separately for each of the separate components in order to reflect the transaction’s substance.

Deferred revenues represent revenues received but not yet earned as per the terms of the contracts.

2.8 EXPENSES

COST OF GOODS SOLD

Cost of goods sold comprises the cost of manufactured products and the acquisition cost of purchased goods which have been sold. Cost of goods sold are derived from the discontinued operations of the segment AbD Serotec.

STOCK-BASED COMPENSATION

The Group applies the provisions of IFRS 2 "Share-based Payment" which obligates the Group to record the estimated fair value for stock options and other awards at the measurement date as a compensation expense over the period in which the employees render the services associated with the award.

OPERATING LEASE PAYMENTS

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. According to SIC-15, all incentives for the agreement of an operating lease are recognized as an integral part of the net consideration agreed for the use of the leased asset. The aggregate benefit of incentives is recognized as a reduction of rental expense over the lease term on a straight-line basis.

2.9 GOVERNMENT GRANTS

Grants from governmental agencies for the support of specific research and development projects for which cash has been received are recorded within the item line "Other Income" in profit or loss on a systematic basis to the extent the related expenses have been incurred. Under the terms of the grants, the governmental agencies generally have the right to audit the use of the payments received by the Group.

2.10 INTEREST INCOME

Interest income is recognized in 'Finance Income' in the income statement as it occurs, taking into account the effective yield of the asset.

2.11 INTEREST EXPENSE

Borrowing costs are expensed when incurred and are included in 'Finance Expenses' in the income statement.

2.12 INCOME TAXES

Income tax comprises current and deferred tax. Income tax is recognized in the income statement unless it relates to items recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable with respect to previous years.

Deferred tax is calculated using the balance sheet liability method, resulting in temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. The amount of deferred tax is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and if they relate to income taxes imposed by the same tax authority on the same taxable entity or on different tax entities that intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized only to the extent it is likely that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2.13 EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to management and employees.

2.14 CASH AND CASH EQUIVALENTS

The Group considers all cash at bank and on hand as well as short-term deposits with an original maturity of three months or less to be cash or cash equivalents. The Group invests most of its cash in deposits with three major German financial institutions, namely, Commerzbank, HypoVereinsbank and Deutsche Bank.

Guarantees granted for rent deposits and commitments for convertible bonds issued to employees have been classified in other assets as restricted cash as they are not available for use in the Group's operations.

2.15 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge its exposure to foreign exchange rate risks. In accordance with IAS 39.9, all derivative financial instruments are held for trading and are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value, which is their quoted market price as of the balance sheet date. Since the derivatives were not designated for hedge accounting, any resulting gain or loss is recognized in the income statement. According to the Group's foreign currency hedging policy, future cash flows with a high probability and receivables which are definite and collectible within a twelve-month period will be hedged.

2.16 NON-DERIVATIVE FINANCIAL INSTRUMENTS

All non-derivative financial instruments are initially recognized at fair value, being the fair value of the consideration given and including acquisition charges.

The Group accounts for its investment in debt and equity securities in accordance with IAS 39. Management determines the proper classification of financial assets at the time of purchase and re-evaluates such designations as of each balance sheet date. The classification depends on the purpose for which the financial assets were acquired. As of 31 December 2012, and as of 31 December 2011, some financial assets held by the Group have been classified as available-for-sale. These financial assets are recognized or de-recognized by the Group on the date it commits itself to purchase or sell the financial assets. After initial recognition, available-for-sale financial assets are measured at fair value, with any resulting gain or loss reported directly in the revaluation reserve within equity until the financial assets are sold, collected or otherwise disposed of, or until the financial assets are determined to be impaired, at which time the cumulative loss is reported in the income statement.

Guarantees granted for rent deposits have been collateralized with available-for-sale financial assets and have been classified in other assets as restricted cash as they are not available for use in the Group's operations.

MorphoSys acquired a share in the privately held, Dutch company, Lanthio Pharma B.V., the Netherlands, located in Groningen in November 2012. The Group holds an interest of 19.98 % in the company's share capital as of the balance sheet date 31 December 2012. The interest is measured at amortized cost and the financial instrument is shown in the "available for sale" category.

2.17 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

Accounts receivable are measured at amortized cost less provision for impairment, e.g. allowance for doubtful accounts (see accounting policy 2.21*).

*CROSS-REFERENCE /// SEE PAGE 89

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less provision for impairment. An interest-bearing bonded loan was granted in the financial year 2012. This financial instrument was assigned to the "loans and receivables" category.

2.18 INVENTORY

Inventories are stated on a first-in, first-out (FIFO) basis at the lower value of manufacturing or acquisition costs and net realizable value. Manufacturing costs of self-produced inventories comprise all costs which are directly attributable and an appropriate portion of overheads. Inventories can be classified into raw material/consumables, work in progress and finished goods.

2.19 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less accumulated depreciation (see also the Notes to the Consolidated Financial Statements – section 14*) and impairment losses (see accounting policy 2.21*). Historical cost includes expenditure directly attributable to the acquisition of the items. Replacements and improvements are capitalized while general repairs and maintenance are charged to expenses as incurred. Assets are depreciated over their expected useful lives using the straight-line method (see table below). Leasehold improvements are depreciated over the estimated useful lives of an asset using the straight-line method.

*CROSS-REFERENCE /// SEE PAGE 101 AND PAGE 89

Asset Class	Useful Life
Computer Hardware	3 years
Low-value Laboratory and Office Equipment below € 150	Immediately
Low-value Laboratory and Office Equipment between € 150 and € 1,000	5 years
Permanent Improvements to Property/Buildings	10 years
Office Equipment	8 years
Laboratory Equipment	4 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.20 INTANGIBLE ASSETS

RESEARCH AND DEVELOPMENT

Research costs are expensed as incurred. In general, development costs are expensed as incurred (IAS 38.5 and IAS 38.11 – 38.23). Development costs are recognized as an intangible asset when the criteria of IAS 38.21 (probability of expected future economic benefits, reliability of cost measurement) are met and if the entity can demonstrate the requirements of IAS 38.57.

PATENT COSTS

Patents obtained by the Group stated at cost less accumulated amortization (see below) and impairment losses (see accounting policy 2.21*). Patent costs are amortized on a straight-line basis over the lower of the estimated useful life of the patent (ten years) and the remaining patent term. Amortization commences when the patent is issued. Technology as identified in the purchase price allocation for the acquisition of Sloning BioTechnology GmbH is stated at the acquisition-date's fair value less accumulated amortization (useful life ten years).

*CROSS-REFERENCE /// SEE PAGE 89

LICENSE RIGHTS

The Group acquired license rights by making upfront license payments, paying annual maintenance fees and making sublicense payments to third parties. The Group amortizes upfront license payments on a straight-line basis over the estimated useful life of the acquired license (ten years). The amortization period and the amortization method are reviewed at each balance sheet date (IAS 38.104). Annual maintenance fees are amortized over the term of each annual agreement. Sublicense payments are amortized on a straight-line basis over the life of the contract or the estimated useful life of the collaboration for those contracts without a stipulated term.

SOFTWARE

Software is stated at cost less accumulated amortization (see below) and impairment losses (see accounting policy 2.21*). Amortization is charged to the income statement on a straight-line basis over the estimated useful life of three to five years. Software is amortized from the date it is ready to operate.

*CROSS-REFERENCE /// SEE PAGE 89

WEBSITE

Costs related to website development completed during the year 2012 are stated at cost less accumulated amortization and are shown within discontinued operations. Amortization is recognized on a straight-line basis over the estimated useful life of four years and is accounted for as expense in the income statement. Amortization begins at the date when the intangible asset is ready to operate.

KNOW-HOW AND CUSTOMER LISTS

MorphoSys established purchase price allocations (PPA) as required by IFRS 3 "Business Combinations". Intangible assets identified consist of technology (useful life ten years), customer lists (useful life six to ten years), know-how (useful life eight to ten years), customer relationships (useful life ten years) as well as distributor networks (useful life ten years) and are stated at acquisition-date fair value less accumulated amortization.

INTANGIBLE ASSETS UNDER DEVELOPMENT

This item contains an upfront payment from the in-licensing of a compound for the segment Proprietary Development. The asset is stated at cost and not yet available for use and therefore not subject to amortization. As of 31 December 2012, the asset has been tested for impairment as required by IAS 36.

GOODWILL

The goodwill recognized is partly attributable to expected synergies to be achieved and to the skills of the acquired workforce. Goodwill is tested annually for impairment as required by IAS 36 (see also the Notes to the Consolidated Financial Statements – section 18*).

*CROSS-REFERENCE /// SEE PAGE 105

SUBSEQUENT EXPENDITURE

Subsequent expenditure on capitalized intangible assets is only capitalized when it substantially increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

2.21 IMPAIRMENT

NON-DERIVATIVE FINANCIAL ASSETS

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition a significant or prolonged decline in an equity security's fair value below its cost is objective evidence of impairment.

RECEIVABLES

The Group considers evidence of impairment for receivables for both individual and collective assets. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries in the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

For a financial asset measured at amortized cost an impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of amortization and any principal repayment, and the current fair value, less any impairment loss recognized previously in profit or loss. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale financial asset is recognized in other comprehensive income.

NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its related cash generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future post-tax cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGU's on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in profit or loss. A goodwill's impairment loss is not reversible. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.22 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects. When share capital recognized as equity is repurchased, the amount of consideration paid, which includes directly attributable costs, is net of any tax effects and is recognized as a deduction from equity classified as treasury shares. When treasury shares are subsequently sold or reissued, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

2.23 TRADE AND OTHER PAYABLES, PROVISIONS

Trade and other payables are stated at amortized cost. Payables with repayment dates exceeding one year are discounted to their net present values. Payables of uncertain timing or amount are shown as provisions.

2.24 CONVERTIBLE BONDS

The Group issued convertible bonds to the Management Board and to employees of the Group. In accordance with IAS 32.28, the equity portion of a bond has to be separated and presented as additional paid-in capital. The equity component is assigned the residual amount after deducting the amount separately determined for the liability component from the fair value of the bond as a whole. The income-statement impact of the equity component is accounted for as stock-based compensation whereas the income-statement impact of the liability component is presented as interest expense. The Group applies the provisions of IFRS 2 "Share-based Payment" for all convertible bonds granted to the Management Board and the employees of the Group.

2.25 ASSETS AND LIABILITIES HELD FOR SALE

Disposal groups are classified as held for sale when it is expected that the carrying amount of the disposal group will be recovered through a sales transaction and a sale is regarded as highly probable. The disposal group is measured at the lower of its carrying amount and the fair value less costs to sell.

2.26 ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

GOODWILL

The Group tests annually whether goodwill is subject to any impairment, in accordance with the accounting policy stated in section 2.21. The recoverable amounts of cash-generating units have been determined based on value-in use calculations. These calculations require the use of estimates (see also the Notes to the Consolidated Financial Statements – section 18*).

*CROSS-REFERENCE /// SEE PAGE 105

The AbD Serotec segment was not tested for goodwill impairment in the year ended 31 December 2012. During the year 2012, the segment was classified as a "discontinued operation" due to an agreed upon transaction between Bio-Rad and MorphoSys (see also the Notes to the Consolidated Financial Statements – section 17*). In the previous year, a sensitivity analysis was performed for the AbD Serotec segment with different estimates and judgments.

*CROSS-REFERENCE /// SEE PAGE 104

A further sensitivity analysis was performed for the technology development activities within the Partnered Discovery segment, which represent the cash-generating unit that also comprises the goodwill from the acquisition of Sloning BioTechnology GmbH. An increase in the WACC by 30% or a decrease in future cash flows by 30% would not result in an impairment of the cash-generating unit.

INCOME TAXES

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain.

As of 31 December 2012, deferred tax assets on tax loss carry-forwards in the amount of € 2.0 million were recognized due to positive business expectations at Sloning BioTechnology GmbH for the financial years 2013 to 2017. No deferred tax assets were reported for a portion of the corporate tax loss carry-forwards in the amount of € 2.4 million and trade tax loss carry-forwards in the amount of € 2.3 million as the usability of these tax loss carry-forwards is deemed uncertain due to the tax regulation in Germany (both section 8 para. 4 KStG and section 8c KStG). In the event that a portion of the total tax loss carry-forwards may not be utilized as a result of a tax audit, the company will have to pay more income taxes at an earlier point in time in future periods because the total tax loss carry-forwards will be consumed earlier than expected.

2.27 CAPITAL MANAGEMENT

Concerning capital management, the Management Board's policy is to maintain a strong and sustainable capital base in order to maintain investor, creditor and market confidence and to support future development of the business. Compared to the previous year, the equity ratio increased slightly from 86.3% to 90.1% (see also table below). The Group is currently not financed via financial debt.

At present, management and employees can participate in the Group's returns by way of long-term performance-related remuneration which consists of convertible bonds and stock options pursuant to the respective incentive plans as resolved by the Annual General Meeting. In addition, MorphoSys established a long-term incentive program in June 2011. This program is based on the performance related issuance of shares, so called 'performance shares', which are granted, when certain predefined success criteria are achieved (see also the Notes to the Consolidated Financial Statements – section 26*). A second long-term incentive plan (LTI plan) was established in April 2012. This plan is a performance related share plan and is paid in common shares of MorphoSys AG, subject to achieving certain predefined performance criteria that must be approved annually by the Supervisory Board. There were no changes in the Group's approach to capital management during the year.

*CROSS-REFERENCE /// SEE PAGE 115

in 000's €	31/12/2012	31/12/2011
Equity	202,010	197,136
In % of Total Capital	90.1%	86.3%
Debt	22,279	31,275
In % of Total Capital	9.9%	13.7%
TOTAL CAPITAL	**224,289**	**228,410**

3 Segment Reporting

The Group applies IFRS 8 "Operating Segments" (effective from 1 January 2009). An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker and for which discrete financial information is available.

Segment information is presented in respect of the Group's operating segments. The operating segments are based on the Group's management and internal reporting structure. Segment results and assets include items directly attributable to a segment and 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 operating segments:

PARTNERED DISCOVERY

MorphoSys possesses one of the leading technologies for the generation of human antibody therapeutics. The Group commercially exploits this technology via partnerships with pharmaceutical and biotechnology companies. All business activities related to these collaborations and the major part of technology development are reflected in this segment.

PROPRIETARY DEVELOPMENT

This segment involves all activities relating to proprietary therapeutic antibody development. Presently, this includes the Group's three lead compounds in its proprietary product portfolio, MOR103, MOR202 and MOR208 as well as two further programs in the discovery phase. The Group currently plans to out-license proprietary compounds after clinical proof of concept.

ABD SEROTEC

The AbD Serotec segment leverages MorphoSys's core technological capabilities in the design and manufacture of antibodies for research and diagnostic purposes. It commercializes the HuCAL technology, focusing on the generation of bespoke research antibodies for its customers. The AbD Serotec segment also generates sales from catalogue antibodies and bulk/industrial production of antibodies.

MorphoSys AG and a subsidiary of Bio-Rad Laboratories Inc., Hercules/California, USA (Bio-Rad Inc.) agreed to acquire all shares of MorphoSys UK Ltd., Oxford, UK (MorphoSys UK) on 16 December 2012 with the notarial authentication of 17 December 2012. The takeover also comprised all of the shares in MorphoSys UK's subsidiaries. At the time of signing on 16 December 2012, MorphoSys UK held all of the shares of MorphoSys AbD GmbH, Düsseldorf, Germany and MorphoSys US Inc., Raleigh, USA (MorphoSys US). Additionally, MorphoSys AG and a

For the Twelve-month Period Ended 31 December	Partnered Discovery		Proprietary Development		AbD Serotec	
(in 000's €)	2012	2011	2012	2011	2012	2011
External Revenues	44,667	79,319	6,988	2,398	17,952	19,060
Inter-segment Revenues	0	0	0	0	43	281
REVENUES, TOTAL	**44,667**	**79,319**	**6,988**	**2,398**	**17,995**	**19,341**
Cost of Goods Sold	0	0	0	0	6,238	7,024
Other Operating Expenses	21,738	23,427	18,127	34,975	11,333	11,356
Inter-segment Costs	43	256	0	25	0	0
TOTAL OPERATING EXPENSES	**21,781**	**23,683**	**18,127**	**35,000**	**17,571**	**18,380**
Other Income	131	59	187	407	4	(57)
Other Expenses	0	0	0	0	157	39
SEGMENT EBIT	**23,017**	**55,695**	**(10,952)**	**(32,195)**	**271**	**865**
Finance Income	0	0	0	0	0	0
Finance Expenses	0	0	0	0	0	0
Income Tax Income/(Expenses)	0	0	0	0	0	0
NET PROFIT/(LOSS)	**23,017**	**55,695**	**(10,952)**	**(32,195)**	**271**	**865**
Current Assets	20,707	18,054	704	1,460	11,908	11,747
Non-current Assets	21,621	23,061	14,519	16,672	31,029	30,841
TOTAL SEGMENT ASSETS*	**42,328**	**41,115**	**15,223**	**18,132**	**42,937**	**42,588**
Current Liabilities	3,554	4,937	3,779	8,100	3,380	3,896
Non-current Liabilities	5,915	6,047	0	0	407	543
Stockholders' Equity	0	0	0	0	0	0
TOTAL SEGMENT LIABILITIES AND EQUITY	**9,469**	**10,984**	**3,779**	**8,100**	**3,787**	**4,439**
Capital Expenditure	794	1,202	614	1,009	542	787
Depreciation and Amortization	3,534	3,197	1,106	1,750	1,183	1,247

* The variance in the amount of € 40.9 million between total assets of the reported segments and the balance sheet's total is due to the 'Assets of Disposal Group Classified as Held for Sale'. See also note 17 of these Notes.

further subsidiary of Bio-Rad Laboratories Inc. agreed at 16 December 2012 upon the takeover of individual assets (trademarks) of the AbD Serotec segment and the purchase of a non-exclusive license for the use of the HuCAL technology in the market for research reagents and diagnostics. After the takeover of the shares in MorphoSys UK by the subsidiary of Bio-Rad Inc., it was agreed on 16 December 2012, that all assets and liabilities attributed to the AbD-Serotec segment of MorphoSys AG shall be transferred to MorphoSys AbD GmbH. Bio-Rad Inc., Bio-Rad Inc.'s subsidiaries including MorphoSys AbD GmbH are hereinafter referred to as „acquirer" or „Bio-Rad", respectively. The shares of MorphoSys AG in Poole Real Estate Ltd., Poole, GB, were not sold. The completion of the transaction depended on the fulfillment of certain conditions. Substantially all of the AbD Serotec segment was transferred at the closing date (10 January 2013) due to the fulfillment of the previously defined obligations. Hence, at 31 December 2012, substantially all of the AbD Serotec segment was classified as discontinued operation in accordance with IFRS 5, hereinafter referred to as "discontinued operation". The operating segments Partnered Discovery and Proprietary Development as well as the non-discontinued operations of the AbD Serotec segment qualified as "continued operations" as of the balance sheet date. The presentation of the net assets, the financial position and the results of operations of MorphoSys Group follows the basic concept of IFRS 5 in this respect.

ENTITY-WIDE DISCLOSURE

In presenting entity-wide disclosures, segment revenues are based on the geographical location of the customers and segment assets on the geographical location of the assets.

Unallocated		Elimination		Group		thereof from Discontinued Operations**		thereof from Continuing Operations	
2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
0	0	0	0	69,607	100,777	17,690	18,700	51,917	82,077
0	0	(43)	(281)	0	0	0	0	0	0
0	**0**	**(43)**	**(281)**	**69,607**	**100,777**	**17,690**	**18,700**	**51,917**	**82,077**
0	0	0	0	6,238	7,024	6,238	7,024	0	0
10,412	12,303	0	0	61,610	82,061	11,855	11,252	49,755	70,809
0	0	(43)	(281)	0	0	0	0	0	0
10,412	**12,303**	**(43)**	**(281)**	**67,848**	**89,085**	**18,093**	**18,276**	**49,755**	**70,809**
98	67	0	0	420	476	4	(57)	416	533
85	2,007	0	0	242	2,046	157	39	85	2,007
(10,399)	**(14,243)**	**0**	**0**	**1,937**	**10,122**	**(556)**	**327**	**2,493**	**9,795**
670	1,460	0	0	670	1,460	11	7	659	1,453
196	151	0	0	196	151	97	97	99	54
(469)	(3,214)	0	0	(469)	(3,214)	217	(223)	(686)	(2,991)
(10,394)	**(16,148)**	**0**	**0**	**1,942**	**8,217**	**(424)**	**14**	**2,366**	**8,203**
120,394	123,431	0	0	153,713	154,692	10,855	0	142,858	154,692
3,406	3,144	0	0	70,575	73,718	30,001	0	40,574	73,718
123,800	**126,575**	**0**	**0**	**224,288**	**228,410**	**40,855**	**0**	**183,433**	**228,410**
4,530	6,818	0	0	15,243	23,751	3,325	0	11,918	23,751
713	934	0	0	7,035	7,524	407	0	6,628	7,524
202,010	197,135	0	0	202,010	197,135	0	0	202,010	197,135
207,253	**204,887**	**0**	**0**	**224,288**	**228,410**	**3,733**	**0**	**220,556**	**228,410**
357	646	0	0	2,307	3,644	542	787	1,765	2,857
487	483	0	0	6,310	6,677	1,060	1,127	5,250	5,550

** Due to the Agreement between Bio-Rad and MorphoSys, signed in December 2012, to acquire substantially all of the segment AbD Serotec, items in connection with the transaction are shown in the column 'thereof from Discontinued Operations' for the years 2012 and 2011. The columns Partnered Discovery, Proprietary Development, AbD Serotec, Unallocated, Elimination and Group comprise the figures for the entire segment or the Group totals. See also note 17 of these Notes.

A segment result is defined as segment revenues less operating segment expenses. As a compensation for therapeutic revenues generated from contracts that had originally been initiated by the AbD Serotec segment, the Partnered Discovery segment granted a compensatory fee of € 0.04 million (2011: € 0.3 million) to the AbD Serotec segment for 2012 as a result of the revenue-sharing agreement established between the two segments € 0.3 million). In 2011, revenues in the AbD Serotec segment also comprised minor intersegment revenues with the Proprietary Development segment from the sale of antibodies. In 2012, an impairment loss of € 0.2 million was recognized in the segment Proprietary Development (2011: impairment loss of € 0.2 million).

The Group's major customers are all related to the Partnered Discovery segment. The most significant customer accounts for € 8.3 million of the trade receivables' carrying amount at 31 December 2012 (31 December 2011: € 8.9 million). Three of the Group's customers individually accounted for € 47.3 million, € 1.7 million, and € 1.5 million of the total revenues in the year 2012 and were mainly attributed to the Partnered Discovery segment. In 2011, three of the Group's customers individually accounted for € 72.8 million, € 2.2 million, and € 2.1 million of the total revenues and were mainly attributed to the Partnered Discovery segment.

In 2012, other operating expenses in "unallocated" mainly included personnel-related costs (2012: € 6.1 million, 2011: € 6.9 million), costs for external services (2012: € 2.2 million, 2011: € 3,1 million) and infrastructure costs (2012: € 1.2 million, 2011: € 1.2 million). Current assets in "unallocated" mainly consisted of cash, cash equivalents and available-for-sale financial assets (31 December 2012: € 107.9 million, 31 December 2011: € 121.0 million). Current liabilities in "unallocated" mainly comprised accounts payable and accrued expenses (31 December 2012: € 4.3 million, 31 December 2011: € 4.5 million) as well as provisions (31 December 2012: € 0.2 million, 31 December 2011: € 2.3 million).

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

in 000's €	2012	2011
Germany	0	1,000
Europe and Asia	49,203	76,442
USA and Canada	2,714	4,635
Other	0	0
Total from Continuing Operations	51,917	82,077
Total from Discontinued Operations	17,690	18,700
TOTAL	69,607	100,777

In 2012, total revenue included approx. 1 % revenue derived from Asia (2011: approx. 3 %).

The following table shows the split of the Group's non-current assets, excluding deferred tax assets, by geographical segment:

in 000's €	31/12/2012	31/12/2011
Germany	40,574	71,904
UK	0	127
USA	0	1,522
Total from Continuing Operations	40,574	73,553
Total from Discontinued Operations	29,884	0
TOTAL	70,458	73,553

The following table shows the split of the Group's capital expenditure by geographical segment:

in 000's €	2012	2011
Germany	1,765	2,857
UK	0	0
USA	0	0
Total from Continuing Operations	1,765	2,857
Total from Discontinued Operations	542	787
TOTAL	2,307	3,644

4 Revenues

In 2012, the revenues from continuing operations included revenues from license and milestones fees in the amount of € 25.0 million (2011: € 59.0 million), to which the Partnered Discovery segment and the continuing operations of the AbD Serotec segment contributed € 24.8 million (2011: € 58.7 million) and € 0.3 million (2011: € 0.6 million) respectively.

Revenues from continuing operations from service fees in the amount of € 26.9 million (2011: € 23.0 million) included € 19.9 million from the Partnered Discovery segment (2011: € 20.6 million) and € 7.0 million from the Proprietary Development segment (2011: € 2.4 million). The revenues of the Proprietary Development segment contain a one-off payment from Novartis.

Revenue relating to the discontinued operations within the AbD Serotec segment amounted to € 17.7 million (2011: € 18.7 million).

5 Personnel Expenses

in 000's €	2012	2011
Wages and Salaries	20,159	22,214
Social Security Contributions	3,226	3,384
Stock-based Compensation Expense	1,291	1,464
Temporary Staff (External)	424	228
Other	284	1,830
Total from Continuing Operations	25,384	29,119
Total from Discontinued Operations	7,902	7,695
TOTAL	33,286	36,814

In 2012, other personnel expenses included mostly costs for recruitment. In 2011, other personnel expenses included mostly costs for recruitment and severance charges.

The average number of employees during the year ended 31 December 2012 was 422 (31 December 2011: 461). Of the 421 employees as of 31 December 2012, 278 worked in research and development (31 December 2011: 301) and 143 (31 December 2011: 145) in sales, general and administration. As of 31 December 2012, 184 employees worked in the Partnered Discovery segment, 54 in the Proprietary Development segment and 135 in the AbD Serotec segment; 48 were unallocated (31 December 2011: 207 in the Partnered Discovery segment, 67 in the Proprietary Development segment and 140 in the AbD Serotec segment; 40 were unallocated). The expenses for defined contribution plans amounted to € 0.3 million in 2012 (31 December 2011: € 0.3 million).

Due to the agreement between Bio-Rad and MorphoSys to acquire substantially all of the segment AbD Serotec, the Group's workforce will be reduced by 135 employees in 2013.

6 Other Income and Expenses, Finance Income and Expenses

Other income and expenses and finance income and expenses include the following items:

in 000's €	2012	2011
Grant Income	277	466
Gain on Exchange	94	59
Miscellaneous Income	45	9
Other Income	416	534
Loss on Exchange*	(66)	(2,010)
Miscellaneous Expenses	(19)	2
Other Expenses	(85)	(2,008)
Gain on Marketable Securities	481	1,086
Interest Income	178	347
Gain on Derivatives	0	21
Finance Income	659	1,454
Interest Expenses	(8)	(27)
Loss on Derivatives	(41)	0
Bank Fees	(50)	(27)
Finance Expenses	(99)	(54)
Total from Continuing Operations	891	(74)
Total from Discontinued Operations	(239)	(187)
TOTAL	652	(261)

* The decrease in losses on exchange in 2012 from € 2.0 million to € 0.1 million is mainly a result of the foreign exchange rate fluctuation between invoice date and the date a one-time technology milestone payment by Novartis has been received in the first quarter of 2011.

7 Income Taxes

MorphoSys AG and its German subsidiaries MorphoSys IP GmbH, MorphoSys AbD GmbH and Sloning BioTechnology GmbH are subject to corporate tax, solidarity surcharge and trade tax. The Company's corporation tax rate remained constant at 15 %; the same applies to the solidarity surcharge of 5.5 % and the effective trade tax rate of 10.5 %. With regard to affiliated companies in foreign countries, income tax rates of 24 % in the UK (2011: 26.5 %) and 37 % (2011: 36.9 %) in the USA.

The income tax for the continuing operations for the past fiscal year is composed as follows:

in 000's €	2012	2011
Current Tax Expense (Thereof Regarding Prior Years: Tax Income of k€ 12; 2011: k€ 0)	(1,064)	(3,292)
Deferred Tax Income	378	301
TOTAL INCOME TAX	**(686)**	**(2,991)**
Total Amount of Deferred Taxes Resulting from Entries Directly Recognized in Equity	(212)	(265)

Additionally, the discontinued operations recognized an income tax income in the amount of € 0.2 million for the year 2012 and an income tax expense of € 0.2 million for the year 2011.

The following table reconciles the expected income tax expense to the actual income tax expense presented in the consolidated financial statements. To calculate the statutory income tax expense in fiscal year 2012, the combined income tax rate of 26.33 % (2011: 26.33 %) was applied to income before taxes. The tax rate applied in the reconciliation statement includes corporate tax and solidarity surcharge, and amounts to 15.83 % plus the effective trade tax rate based on the multiplier rate ("Hebesatz") of 300 % for municipal trade tax, which amounts to 10.50 %.

MorphoSys AG has been subject to tax audits for the financial years 2004 to 2007 and tax loss carry-forwards have been confirmed in their recognized amount.

As of 31 December 2012, a deferred tax asset on tax loss carry-forwards in the amount of € 2.0 million was recognized due to positive business expectations at Sloning BioTechnology GmbH for the financial years 2013 to 2017. No deferred tax asset was reported for a portion of the corporate tax loss carry-forwards in the amount of € 2.4 million and trade tax loss carry-forwards in the amount of € 2.3 million as the usability of these tax loss carry-forwards is deemed uncertain due to the tax regulation in Germany (both sec. 8 para. 4 KStG and sec. 8c KStG; see also Notes to the Consolidated Financial Statements – section 2.25*). The tax loss carry-forwards may be carried forward indefinitely and in unlimited amounts. From 2004 onwards, German tax law restricts the offsetting of taxable income against existing tax loss carry-forwards to an amount of € 1.0 million plus 60 % of taxable income above € 1.0 million. According to the German Corporation Tax Act (Körperschaftsteuergesetz, KStG), taxes may be carried forward indefinitely.

*CROSS-REFERENCE /// SEE PAGE 90

in 000's €	2012*	2011*
Profit Before Income Taxes	3,051	11,195
Expected Tax Rate	26.33 %	26.33 %
Expected Income Tax	(803)	(2,948)
Tax Effects Resulting from:		
Deferred Income Tax Arising from the Recognition of DTA on Previously Unrecognized DTA on Tax Loss Carry-forwards	317	389
Stock-based Compensation	(110)	(339)
Non-tax-deductible Items	(125)	(124)
Permanent differences due to tax-exempts	0	125
Tax Rate Differences	(19)	(54)
Release of DTL Arising from Temporary Differences	49	0
Prior Year Taxes	12	0
Other Effects	(7)	(40)
Actual Income Tax	(686)	(2,991)

* Tax rate reconciliation for the continuing operations

Significant components of the deferred tax assets and liabilities are as follows:

in 000's €, as of 31 December	DTA[1] 2012[3]	DTA[1] 2011[4]	DTL[2] 2012[3]	DTL[2] 2011[4]
Intangible Assets	0	0	2,373	3,287
Property, Plant and Equipment	0	0	0	42
Other Equipment, Furnitures, Fixtures	127	51	0	0
Inventory	0	161	0	0
Prepaid Expenses and Deferred Charges	0	0	3	5
Short-term Securities Investments	0	0	184	231
Other Accrual/Provisions	0	0	0	30
Trade Accounts Payable	0	5	0	0
Other Liabilities	0	0	0	22
Tax Losses	2,015	2,273	0	3
	2,142	**2,490**	**2,560**	**3,620**

[1] Deferred Tax Asset
[2] Deferred Tax Liability
[3] Composition of Deferred Tax Assets and Liabilities from Continuing Operations
[4] Composition of Deferred Tax Assets and Liabilities for the Group

Deferred tax liabilities of € 0.2 million (previous year: € 0.3 million) were recorded directly in stockholders' equity. This amount relates mainly to the revaluation of financial assets available-for-sale.

In 2012, deferred tax assets of € 2.1 million were offset against deferred tax liabilities. Both deferred tax asset and deferred tax liability relate to income taxes imposed by the same tax authority on the same taxable entity.

As of 31 December 2012 and as of 31 December 2011, no deferred tax liabilities were recognized on temporary differences relating to an investment in a subsidiary, since the Group may determine whether the liability will arise and is convinced that the liability will not arise in the foreseeable future.

8 Earnings per Share

The calculation of basic earnings per share is based on the consolidated net profit of € 1,942,145 for 2012 (2011: € 8,216,397) and on the weighted-average number of ordinary shares outstanding for the relevant years (2012: 23,004,894; 2011: 22.887.723).

The weighted-average number of ordinary shares was calculated as follows:

	2012	2011
SHARES ISSUED ON 1 JANUARY	**23,112,167**	**22,890,252**
Effect of Treasury Shares Held	(163,915)	(79,896)
Repurchase of Treasury Stock	(64,813)	(45,744)
Effect of Shares Issued in January	15,731	32,510
Effect of Shares Issued in February	19,313	10,266
Effect of Shares Issued in March	3,579	2,408
Effect of Shares Issued in April	45,087	20,741
Effect of Shares Issued in May	0	40,639
Effect of Shares Issued in June	16,860	2,286
Effect of Shares Issued in July	447	6,194
Effect of Shares Issued in August	336	0
Effect of Shares Issued in September	14,495	0
Effect of Shares Issued in October	3,341	470
Effect of Shares Issued in November	620	7,461
Effect of Shares Issued in December	1,645	136
WEIGHTED-AVERAGE NUMBER OF SHARES OF COMMON STOCK	**23,004,894**	**22,887,723**

The diluted earnings per share are calculated by taking into account the Group's potential ordinary shares from stock options and convertible bonds granted.

The following table shows the reconciliation of basic and diluted earnings per share (in €, except for per share data):

	2012	2011
Numerator		
Profit for the Year from Continuing Operations	2,366,263	8,202,087
(Loss) / Profit for the Year from Discontinued Operations	(424,118)	14,310
Consolidated Net Profit	1,942,145	8,216,397
Denominator		
Weighted-average Shares Used for Basic EPS	23,004,894	22,887,723
Dilutive Shares Arising from Stock Options	204,132	229,907
Dilutive Shares Arising from Convertible Bonds	51,334	8,528
TOTAL DENOMINATOR	**23,260,360**	**23,126,158**
Earnings per Share (in €)		
Basic	0.08	0.36
thereof from Continuing Operations	0.10	0.36
thereof from Discontinued Operations	(0.02)	0.00
Diluted	0.08	0.36
thereof from Continuing Operations	0.10	0.35
thereof from Discontinued Operations	(0.02)	0.00

9 Cash and Cash Equivalents

in 000's €	31/12/2012	31/12/2011
Bank Balances and Cash in Hand	40,690	54,596
Term Deposits	984	980
Restricted Cash	(984)	(980)
Total from Continuing Operations	40,690	54,596
Total from Discontinued Operations	5,281	0
Cash and Cash Equivalents	45,971	54,596

The decline in cash and cash equivalents was mainly caused by granting an interest-bearing, transferable loan of € 10.0 million. A decrease of € 5.3 million in the cash balance resulted from the initial classification of the discontinued operation under IFRS 5 in the AbD Serotec segment.

The restricted cash of € 1.0 million represents rent deposits and is unchanged compared with the previous year.

10 Financial Assets

The financial assets available-for-sale composed as follows as of 31 December 2012 and 2011:

in 000's €	Maturity	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Market Value
31 DECEMBER 2012					
DB Money Cash	daily	79,345	699	0	80,044
Restricted Cash					(322)
TOTAL					**79,722**
31 DECEMBER 2011					
DB Money Cash	daily	79,150	877	0	80,027
Restricted Cash					(258)
TOTAL					**79,769**

The Group's gross unrealized holding gains of € 698,848 on 31 December 2012 and € 877,332 on 31 December 2011 respectively were recorded as a separate entry in stockholders' equity (revaluation reserve). In 2012 the Group recorded a profit in the income statement, which had previously been reported in stockholders' equity, of € 480,912 resulting from the disposal of financial assets (2011: € 1,085,911).

The restricted cash of € 0.3 million (2011: € 0.3 million) is related to rent deposits paid.

For further details on accounting for financial assets, see the Notes to the Consolidated Financial Statements – section 2.16.*

*CROSS-REFERENCE /// SEE PAGE 88

11 Accounts Receivable

All accounts receivable are non-interest-bearing and generally have payment terms of 30 to 45 days. On 31 December 2012 and 2011, accounts receivable included unbilled amounts of € 1,592,679 and € 1,856,827, respectively. In some cases, the Group requires collateral from customers in the discontinued operations of the AbD Serotec segment in order to avoid uncollectable accounts receivable. As of 31 December 2012, these were not significant in terms of their amount.

Based on management's estimate, a net loss of € 60,119 was recognized in the income statement for doubtful receivables in 2012 (2011: Net loss of € 3,243). This loss was attributed to the discontinued operations.

12 Other Receivables

In accordance with the Group's hedging policy, expected cash flows with a high probability and definite foreign-currency receivables, which are collectable within a twelve-month period, are reviewed for the need of a hedging. In 2003, MorphoSys started entering into foreign currency options and futures in order to hedge its foreign exchange risk against U.S. dollar receivables. These derivatives are recorded as other receivables with their fair values.

In the first quarter of 2012, MorphoSys AG granted a transferable, interest-bearing and assignable loan with a nominal value of € 10.0 million. Interest income of € 82,534 is recorded in the financial result. In accordance with IAS 39, this financial instrument was attributed to the category "Loans and Receivables". The risks associated with the financial instrument mainly arise from unfavorable trends for the reference interest rate used for the interest calculation as well as from credit risks associated with the borrower. In the business year 2012, there were no indications for impairment.

As of 31 December 2012 and 2011, no option contracts were outstanding. Therefore, no unrealized gains or losses were recognized in the income statement in 2012 and in 2011. At the beginning of the year, the Group entered into two option contracts reaching maturity during the business year 2012. A realized loss of € 0.04 million (2011: loss of € 0.3 million) was recorded in finance expenses.

13 Prepaid Expenses, Tax Receivables, Other Current Assets and Inventories

Prepaid expenses essentially consisted of prepaid fees for sublicenses amounting to € 0.1 million (31.12.2011: € 0.2 million) and other prepayments amounting to € 1.3 million (31.12.2011: € 1.6 million) as of 31 December 2012. The discontinued operations comprised prepayments in the amount of € 0.3 million as of 31 December 2012.

As of 31 December 2012, tax receivables amounted to € 0.1 million (31.12.2011: € 0.2 million), and comprised mainly receivables in connection with withholding tax on capital gains. Further tax receivables in the amount of € 0.3 million were presented in discontinued operations as of 31 December 2012.

Inventories of the continuing operations amounted to € 0.8 million as of 31 December 2012 and were stored at the German location in Martinsried. As of 31 December 2012, inventories consisted of raw materials, merchandise, consumables and supplies in the amount of € 0.6 million and unfinished goods in the amount of € 0.2 million. As in the previous year, there were no inventories carried at fair value less costs to sell. Inventories of the discontinued operations amounted to € 2.8 million as of 31 December 2012. An inventory reserve of € 3.2million was recorded for the discontinued operations as of 31 December 2012. In 2012, raw materials, merchandise, consumables and supplies as well as changes in stock of unfinished and finished goods, that were recorded in cost of goods sold of the discontinued operations, amounted to € 4.5 million (31 December 2011: € 5.1 million).

As of 31 December 2011, inventories in the amount of € 3.3 million were stored at the Group locations in Oxford, UK, and Raleigh, USA, as well as at the German locations in Martinsried and Puchheim. As of 31 December 2011, inventories consisted of raw materials, merchandise, consumables and supplies in the amount of € 1.9 million, unfinished goods in the amount of € 0.1 million and finished goods in the amount of € 1.3 million. The inventory reserve amounted to € 3.0 million as of 31 December 2011, and the movement to prior year's inventory reserve was included in cost of goods sold.

14 Property, Plant and Equipment

in 000's €	Land and Buildings	Office and Laboratory Equipment	Furniture and Fixtures	Totals
Cost				
1 JANUARY 2012	**1,191**	**15,071**	**2,650**	**18,912**
Additions	15	980	21	1,016
Disposals	0	(420)	(51)	(471)
Foreign Exchange Variance	25	18	5	48
Reclassification to Assets of Disposal Group Classified as Held for Sale	(1,231)	(3,213)	(733)	(5,177)
31 DECEMBER 2012	**0**	**12,436**	**1,892**	**14,328**
Accumulated Depreciation				
1 JANUARY 2012	**452**	**10,273**	**2,081**	**12,806**
Depreciation Charge for the Year	83	2,027	139	2,249
Write-offs for the Year	0	178	0	178
Disposals	0	(418)	(51)	(469)
Foreign Exchange Variance	10	14	7	31
Reclassification to Assets of Disposal Group Classified as Held for Sale	(545)	(2,589)	(525)	(3,659)
31 DECEMBER 2012	**0**	**9,485**	**1,651**	**11,136**
Carrying Amount				
1 JANUARY 2012	**739**	**4,798**	**569**	**6,106**
31 DECEMBER 2012	**0**	**2,951**	**241**	**3,192**
Cost				
1 JANUARY 2011	**916**	**14,404**	**2,460**	**17,780**
Additions	257	1,882	208	2,347
Disposals	0	(1,235)	(28)	(1,263)
Foreign Exchange Variance	18	20	10	48
31 DECEMBER 2011	**1,191**	**15,071**	**2,650**	**18,912**
Accumulated Depreciation				
1 JANUARY 2011	**294**	**9,382**	**1,914**	**11,590**
Depreciation Charge for the Year	152	2,010	182	2,344
Disposals	0	(1,122)	(21)	(1,143)
Foreign Exchange Variance	6	3	6	15
31 DECEMBER 2011	**452**	**10,273**	**2,081**	**12,806**
Carrying Amount				
1 JANUARY 2011	**622**	**5,022**	**546**	**6,190**
31 DECEMBER 2011	**739**	**4,798**	**569**	**6,106**

As of 31 December 2011, property in the amount € 785,027 in Poole, UK, was classified as “held for sale” and, due to the revaluation of the expected sales price, an impairment with insignificant amount was recorded. In March 2012, MorphoSys concluded the sale of its property in Poole, UK, for € 0.8 million.

No borrowing costs were capitalized during the reporting period. No restrictions on title and property, plant and equipment were pledged as security for liabilities. The Group capitalized expenditure of an insignificant amount for assets under construction. No significant contractual commitments for the acquisition of the purchase of property, plant and equipment have been entered into as of the reporting date.

The depreciation charge is included in the following line items of the income statement:

in 000's €	2012	2011
Research and Development	1,344	1,602
Research and Development (Write-off)	178	0
Sales, General and Administrative	385	134
Cost of Goods Sold	0	0
Total from Continuing Operations	1,907	1,736
(Loss)/Profit for the Year from Discontinued Operations	530	640
TOTAL	**2,437**	**2,376**

In 2012, an impairment of € 0.2 million was accounted for, mainly for laboratory equipment that was no longer usable in the context of the finalization of clinical trial studies for the proprietary HuCAL antibody program MOR103.

15 Intangible Assets

in 000's €	Patents	Licenses	Intangible Assets under Development	Software	Know-How and Customer List	Goodwill	Total
Cost							
1 JANUARY 2012	**14,659**	**25,207**	**10,513**	**2,884**	**5,525**	**34,107**	**92,895**
Additions	245	91	0	956	0	0	1,292
Disposals	(2)	(3)	0	(17)	0	0	(22)
Foreign Exchange Variance	0	19	0	5	49	34	107
Reclassification to Assets of Disposal Group Classified as Held for Sale	0	(904)	0	(478)	(5,574)	(26,788)	(33,744)
31 DECEMBER 2012	**14,902**	**24,410**	**10,513**	**3,350**	**0**	**7,353**	**60,528**
Accumulated Amortization							
1 JANUARY 2012	**5,200**	**15,655**	**0**	**1,828**	**4,184**	**0**	**26,867**
Amortization Charge for the Year	1,036	2,146	0	486	382	0	4,050
Disposals	0	(1)	0	(16)	0	0	(17)
Foreign Exchange Variance	0	9	0	5	30	0	44
Reclassification to Assets of Disposal Group Classified as Held for Sale	0	(528)	0	(304)	(4,596)	0	(5,428)
31 DECEMBER 2012	**6,236**	**17,281**	**0**	**1,999**	**0**	**0**	**25,516**
Carrying Amount							
1 JANUARY 2012	**9,459**	**9,552**	**10,513**	**1,056**	**1,341**	**34,107**	**66,028**
31 DECEMBER 2012	**8,666**	**7,129**	**10,513**	**1,351**	**0**	**7,353**	**35,012**
Cost							
1 JANUARY 2011	**14,449**	**25,425**	**10,513**	**3,126**	**5,419**	**34,099**	**93,031**
Additions	218	138	0	942	0	0	1,298
Disposals	(8)	(371)	0	(1,189)	0	0	(1,568)
Foreign Exchange Variance	0	15	0	5	106	8	134
31 DECEMBER 2011	**14,659**	**25,207**	**10,513**	**2,884**	**5,525**	**34,107**	**92,895**
Accumulated Amortization							
1 JANUARY 2011	**4,164**	**13,306**	**0**	**2,620**	**3,733**	**0**	**23,823**
Amortization Charge for the Year	1,036	2,528	0	392	377	0	4,333
Write-offs for the Year	8	186	0	0	0	0	194
Disposals	(8)	(371)	0	(1,188)	0	0	(1,567)
Foreign Exchange Variance	0	6	0	4	74	0	84
31 DECEMBER 2011	**5,200**	**15,655**	**0**	**1,828**	**4,184**	**0**	**26,867**
Carrying Amount							
1 JANUARY 2011	**10,285**	**12,119**	**10,513**	**506**	**1,686**	**34,099**	**69,208**
31 DECEMBER 2011	**9,459**	**9,552**	**10,513**	**1,056**	**1,341**	**34,107**	**66,028**

As of 31 December 2012, intangible assets under development, as required by IAS 36, were subject to an impairment test. This test did not result in any impairment.

The depreciation charge is included in the following line items of the income statement:

in 000's €	2012	2011
Research and Development	3,262	3,669
Research and Development (Write-off)	0	194
Sales, General and Administrative	141	24
Cost of Goods Sold	115	120
Total from Continuing Operations	3,518	4,007
(Loss)/Profit for the Year from Discontinued Operations	530	487
TOTAL	4,048	4,494

As of 31 December 2011, an impairment amounting to € 0.2 million was recorded in the Proprietary Development segment for intangible assets. The impairment in 2011 was connected to a program, which was discontinued due to strategic reasons.

16 Other Assets

The Group classified specific line items within other assets as restricted cash, which is not available for operating purposes (see Notes to the Consolidated Financial Statements – sections 9 and 10*). As of 31 December 2012 and 2011, the Group had at its disposal restricted cash of € 1.3 million and € 1.2 million, respectively, for guarantees granted, and € 73,607 and € 73,607, respectively, for convertible bonds issued to employees.

*CROSS-REFERENCE /// SEE PAGE 99

17 Assets Held for Sale and Discontinued Operations

As of 31 December 2011, the "Assets of Disposal Group Classified as Held for Sale" comprised the commercial real estate owned by the subsidiary Poole Real Estate Ltd., Poole, UK, with a carrying amount of € 785,027. In March 2012, MorphoSys completed the sale of this property for € 0.8 million.

On 16 December 2012, an agreement was signed by MorphoSys and Bio-Rad for a takeover of substantially all of the AbD Serotec segment for research-related and diagnostic antibodies. The result from operating activities of the AbD Serotec segment is presented in the result from discontinued operations in accordance with IFRS 5. The previous year's figures in the income statement and in the segment report were adjusted accordingly. As of the balance sheet date 31 December 2012, assets and liabilities of the discontinued operation AbD Serotec were presented as "Assets/Liabilities of Disposal Group Classified as Held for Sale". The sale of the AbD Serotec segment to an American acquirer was approved by resolutions of the Management Board and the Supervisory Board on 16 December 2012. The closing of the transaction took place on 10 January 2013.

The following assets were reclassified within the balance sheet to "Assets of Disposal Group Classified as Held for Sale" for the year 2012:

in 000's €	31/12/2012	31/12/2011
Cash and Cash Equivalents	5,281	0
Accounts Receivable	1,703	0
Inventories, Net	2,769	0
Other Current Assets	1,101	0
Total Current Assets	10,855	0
Property, Plant and Equipment, Net	1,519	785
Licenses, Net	376	0
Software, Net	174	0
Know-how and Customer Lists, Net	978	0
Goodwill	26,788	0
Other Non-current Assets	166	0
Total Non-current Assets	30,001	785
Assets of Disposal Group Classified as Held for Sale	40,855	785

The following liabilities were reclassified within the balance sheet to “Liabilities of Disposal Group Classified as Held for Sale” for the year 2012:

in 000's €	31/12/2012	31/12/2011
Accounts Payable and Accrued Expenses	2,424	0
Current Portion of Deferred Revenue	435	0
Other Current Liabilities	466	0
Total Current Liabilities	3,325	0
Deferred Tax Liability	407	0
Total Non-current Liabilities	407	0
Liabilities of Disposal Group Classified as Held for Sale	3,733	0

The result of discontinued operations comprises the following:

in 000's €	2012	2011
Revenues	17,690	18,700
Cost of Goods Sold	6,238	7,024
Research and Development	1,845	1,598
Sales, General and Administrative	10,010	9,654
Total Operating Expenses	18,093	18,276
Other (Expenses)/Income	(153)	(96)
Earnings before Interest and Taxes (EBIT)	(556)	327
Finance Income/(Expenses)	(85)	(90)
Profit before Taxes	(641)	237
Income Tax Income/(Expenses)	217	(223)
(Loss)/Profit for the Year from Discontinued Operations	(424)	14

18 Goodwill

On 31 October 2012, goodwill in the amount of € 7.4 million resulting from the acquisition of Sloning BioTechnology GmbH in 2010 was tested for impairment as required by IAS 36. The recoverable amount of the cash-generating unit (CGU), the technology development team in the Partnered Discovery segment, was determined on the basis of value-in-use calculations, whereby the calculated value in use exceeded the carrying amount of the cash-generating unit. In addition, a detailed sensitivity analysis was carried out (see Notes to the Consolidated Financial Statements – section 2.26*). The cash flow forecasts refer to a ten-year period since management assumes that commercialization by means of licensing agreements, which include upfront payments, milestone payments, funded research and royalties, will pay off fully over the medium to long term. For this reason, a planning period of ten years is deemed appropriate for calculating the value in use. The cash flow forecasts are predominantly based on the key assumption that the technology presently developed is very beneficial to existing and to new clients, and will lead to a number of new agreements. The values of the underlying key assumptions were determined by means of both internal (past experience) and external (market intelligence) sources of information. Based on the updated cash-flow forecast for the next ten years, the value in use was determined as follows: Beta factor of 1.1, income tax rate of 26.33 %, a WACC of 8.26 % (2011: 8.89 %) and a growth rate of 1 % of the perpetual annuity. The values assigned to these assumptions correspond to the management’s estimate with regard to future developments, and they are based on internal planning scenarios and on external sources.

*CROSS-REFERENCE /// SEE PAGE 90

For the goodwill of the segment AbD Serotec, no impairment test was performed by the end of the business year 2012. Substantially all of the segment was classified as “discontinued operation” in the course of the business year 2012 (see Notes to the Consolidated Financial Statements – section 17*) due to an agreed takeover between Bio-Rad and MorphoSys. The agreed purchase price did not lead to any impairment. In 2012, the goodwill of the discontinued operation is presented in the balance sheet line item “Assets of Disposal Group Classified as Held for Sale”.

*CROSS-REFERENCE /// SEE PAGE 104

In the previous year, an impairment test with a sensitivity analysis were performed for the AbD Serotec segment by using several assumptions and variables.

19 Accounts Payable and Accrued Expenditure

The trade accounts payable are non-interest-bearing and, under normal circumstances, have payment terms of no more than 30 days.

The trade accounts payable are listed in the following table:

in 000's €	31/12/2012	31/12/2011
Trade Accounts Payable	738	1,057
Licenses Payable	170	397
Accrued Expenses	9,232	17,069
Other Liabilities	520	588
Total from Continuing Operations	10,660	19,111
Total from Discontinued Operations	2,425	0
TOTAL	13,085	19,111

Accrued expenses of the continuing operations mainly include accruals for payments to employees and management amounting to € 3.7 million (31 December 2011: € 5.1 million), accrued expenses for outstanding invoices of € 1.2 million (31 December 2011: € 2.6 million), external laboratory services of € 2.9 million (31 December 2011: € 6.6 million), royalties of € 1.1 million (31 December 2011: € 2.4 million), audit fees and other audit-related costs of € 0.1 million (31 December 2011: € 0.1 million) and € 0.4 million for legal advice (31 December 2011: €≈0.2 million). The discontinued operations comprised accrued expenses in the amount of € 1.6 million for the year 2012.

At the Annual General Meeting of the Company in May 2012, the Supervisory Board was authorized to appoint PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft (PwC AG), Munich, as auditor.

PwC AG and its partner corporations within the global network received compensation from MorphoSys in the business year 2012 of € 341,677 (thereof PwC AG: € 268,214), including audit fees of € 256,949 (thereof PwC AG: € 205,171), audit-related fees of € 47,848 (thereof PwC AG: € 26,163) as well as fees for other services of € 36,880 (thereof PwC AG: € 36,880).

20 Provisions and Tax Liabilities

As of 31 December 2012, the Group recorded provisions and tax liabilities of € 0.8 million for the continuing operations (2011: € 3.4 million for the Group).

Tax liabilities mainly comprise expenses for income tax. As of 31 December 2012, provisions and tax liabilities are uncertain in terms of their amount and are expected to be settled in 2013.

Provisions and tax liabilities changed during the financial year 2012 as follows:

in 000's €	01/01/2012	Additions	Utilized	Released	31/12/2012	thereof from Discontinued Operations	thereof from Continuing Operations
Taxes	3,027	46	2,241	13	819	189	630
Other Obligations	383	365	0	284	464	277	187
TOTAL	**3,410**	**411**	**2,241**	**297**	**1,283**	**466**	**817**

21 Financial Instruments and Financial Risk Management

CREDIT AND LIQUIDITY RISK

Financial instruments that potentially subject the Group to concentrations of credit and liquidity risk consist primarily of cash, cash equivalents, marketable securities, derivative financial assets and accounts receivable. The Group's cash and cash equivalents are principally denominated in euros, US dollars and pounds sterling. Marketable securities are placed in high-quality securities. Cash, cash equivalents and marketable securities are maintained principally with three high-quality financial institutions in Germany. The Group continually monitors its positions with, and the credit quality of, the financial institutions, which are counterparties to its financial instruments, and does not anticipate non-performance.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, which are based on external ratings. However, the Group's revenues and accounts receivable are subject to credit risk as a result of customer concentration. The Group's most significant customer accounted for € 8.3 million of trade receivables as of 31 December 2012 (31 December 2011: € 8.9 million). This customer individually accounted for approximately 92 % of the accounts receivables of the Group's continuing operations as of 31 December 2012. Three customers individually accounted for 91 %, 3 %, and 3 % of the total revenues of the continuing operations in 2012. On 31 December 2011, one customer had accounted for 73 % of the Group's accounts receivables and three customers individually had accounted for 72 %, 2 %, and 2 % of the Group's revenues in 2011. Based on the management's assessment, allowances of € 79,196 and € 19,078 in relation to the discontinued operations of the AbD Serotec segment were necessary as of 31 December 2012 and 2011. The carrying amounts of financial assets represent the maximum credit exposure.

The maximum exposure for credit risk of trade receivables at the balance sheet date by geographic region was composed as follows:

in €	31/12/2012	31/12/2011
Europe and Asia	8,683,001	10,981,860
USA and Canada	241,197	1,221,377
Other	0	0
Total from Continuing Operations	8,924,198	12,203,237
Total from Discontinued Operations	1,703,450	0
TOTAL	**10,627,647**	**12,203,237**

The aging of trade receivables at the balance sheet date was structured as follows:

in €; A/R are due in	31/12/2012 0 (30) days	31/12/2012 30 (60) days	31/12/2012 60 + days	31/12/2012 Total
Accounts Receivable	5,141,303	2,147,236	1,635,658	8,924,197
Allowance for Impairment	0	0	0	0
Total from Continuing Operations	5,141,303	2,147,236	1,635,658	8,924,197
Total from Discontinued Operations	1,438,486	183,536	81,428	1,703,450
Accounts Receivable, Net of Allowance for Impairment	6,579,789	2,330,772	1,717,086	10,627,646

in €; A/R are due in	31/12/2011 0 (30) days	31/12/2011 30 (60) days	31/12/2011 60 + days	31/12/2011 Total
Accounts Receivable	9,519,422	851,283	1,851,610	12,222,315
Allowance for Impairment	(19,078)	0	0	(19,078)
Accounts Receivable, Net of Allowance for Impairment	9,500,344	851,283	1,851,610	12,203,237

As of 31 December 2012, accounts receivable of the Group included overdue items, mainly from discontinued operations, in the amount of € 0.1 million, for which impairment was not deemed necessary as the receivables were not overdue by more than 60 days.

As of 31 December 2012 and 31 December 2011, the Group was not exposed to a credit risk from derivative financial instruments. The maximum exposure for credit risk of financial guarantees (rent deposits) at the balance sheet date amounted to € 1.3 million (31 December 2011: € 1.2 million).

The contractual maturities and the related contractual cash flows of financial liabilities are within one year and five years, respectively. The convertible bonds due to related parties have a term until 31 December 2015 (maximum credit risk: € 0.1 million).

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings in financial instruments. The Group is exposed to currency and interest rate risks.

CURRENCY RISK

The Group accounts are administered in euros. While the expenses of MorphoSys are predominantly paid in euros, a significant part of the revenues depends on the current exchange rates of the US dollar and the pound sterling. The Group examines the necessity of hedging foreign exchange transactions to minimize currency risk during the year and addresses this risk by using derivative financial instruments.

The Group's exposure to foreign currency risk based on carrying amounts was composed as follows:

as of 31 December 2012; in €	EUR	USD	GBP	Other	Total
Cash and Cash Equivalents	38,460,777	1,233,596	995,492	0	40,689,865
Available-for-sale Assets	79,722,222	0	0	0	79,722,222
Accounts Receivable	8,697,667	226,530	0	0	8,924,197
Accounts Payable and Accrued Expenses	10,594,593	57,576	7,921	0	10,660,090
TOTAL	**137,475,259**	**1,517,702**	**1,003,413**	**0**	**139,996,374**

as of 31 December 2011; in €	EUR	USD	GBP	Other	Total
Cash and Cash Equivalents	51,076,181	723,518	2,796,400	0	54,596,099
Available-for-sale Assets	79,768,563	0	0	0	79,768,563
Accounts Receivable	10,478,522	1,248,021	394,116	82,578	12,203,237
Accounts Payable and Accrued Expenses	(16,707,898)	(384,779)	(2,018,121)	0	(19,110,798)
TOTAL	**124,615,368**	**1,586,760**	**1,172,395**	**82,578**	**127,457,101**

Different foreign exchange rates and their impact on assets and liabilities have been simulated in a detailed sensitivity analysis in order to determine resulting effects on the income statement. A ten percent increase of the euro against the US dollar as of 31 December 2012 would have decreased the profit for the continuing operations of the Group by € 0.1 million (assuming that interest rates remain constant). A ten percent weakening of the euro against the US dollar would have increased the profit for the continuing operations of the Group by € 0.2 million. A ten percent increase of the euro against the British pound as of 31 December 2012 would have decreased the profit for the Group by € 0.1 million (assuming that interest rates remain constant). A ten percent weakening of the euro against the British pound would have increased the profit for the Group by € 0.1 million.

A ten percent increase of the euro against the US dollar as of 31 December 2011 would have decreased the Group's profit by € 0.1 million (assuming that interest rates remain constant). A ten percent weakening of the euro against the US dollar would have increased the Group's profit by € 0.2 million. A ten percent increase of the euro against the British pound as of 31 December 2011 would have decreased the Group's profit by € 0.1 million (assuming that interest rates remain constant). A ten percent weakening of the euro against the British pound would have increased the Group's profit by € 0.1 million.

If the foreign exchange rates for US dollar against the euro and the British pound against the euro had remained constant at the average rate of 2011, revenues of the continuing operations of the Group would have been lower by € 0.4 million (2011: Group revenues would have been higher by € 1.1 million).

INTEREST RATE RISK

The exposure of the Group to changes in interest rates relates mainly to investments in available-for-sale securities. Changes in the general level of interest rates may lead to an increase or decrease in the fair value of these investments. The risk of a decrease in fair value is limited due to fair value guarantees given by the issuing financial institutions in addition to the fact, that all financial instruments in these respective money market funds have short maturity durations.The guarantees are renewed every six months. With regard to the liabilities as well as the interest bearing and assignable loan shown in the balance sheet, the Group is currently not subject to significant interest rate risks.

FAIR VALUE HIERARCHY AND VALUATION METHODS

MorphoSys uses the following hierarchy for determining and disclosing the fair value of financial instruments:

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

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

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The carrying value of financial assets and liabilities such as cash and cash equivalents, marketable securities, accounts receivable and accounts payable approximates their fair value due to the short-term maturities of these instruments. The fair value of marketable securities is based upon quoted market prices (Hierarchy Level 1, quoted prices in active markets; see Notes to the Consolidated Financial Statements – section 10*). None of the financial assets and liabilities are categorized in Level 2 or 3. The fair value of licenses payable is determined by the effective interest method. Convertible bonds are recorded at their accreted values, which approximate the cash outlay that is due upon the note settlements. There were no transfers from one fair value hierarchy level to another in 2012 and 2011.

*CROSS-REFERENCE /// SEE PAGE 99

The fair values of financial assets and liabilities, together with the carrying amounts presented in the consolidated balance sheet, were composed as follows:

31 December 2012 (in 000's €)	Note	Fair Value – Hedging Instruments	Receivables	Available for Sale	Other Financial Liabilities	Total Carrying Amount	Fair Value
Cash and Cash Equivalents	9	0	40,690	0	0	40,690	40,690
Accounts Receivable	11	0	8,924	0	0	8,924	8,924
Forward Exchange Contracts Used for Hedging	12	0	0	0	0	0	0
Other Receivables		0	10,298	0	0	10,298	10,298
Shares available for Sale, net of Current Portion		0	0	882	0	882	882
Available-for-sale Financial Assets	10	0	0	79,722	0	79,722	79,722
Assets of Disposal Group Classified as Held for Sale	17	0	0	40,855	0	40,855	40,855
		0	**59,912**	**121,459**	**0**	**181,371**	**181,371**
Convertible Bonds – Liability Component	23	0	0	0	(74)	(74)	(74)
Accounts Payable and Accrued Expenses	19	0	0	0	(10,660)	(10,660)	(10,660)
Liabilities of Disposal Group Classified as Held for Sale	17	0	0	(3,733)	0	(3,733)	(3,733)
		0	**0**	**(3,733)**	**(10,734)**	**(14,467)**	**(14,467)**

31 December 2011 (in 000's €)	Note	Fair Value – Hedging Instruments	Receivables	Available for Sale	Other Financial Liabilities	Total Carrying Amount	Fair Value
Cash and Cash Equivalents	9	0	54,596	0	0	54,596	54,596
Accounts Receivable	11	0	12,203	0	0	12,203	12,203
Forward Exchange Contracts Used for Hedging	12	0	0	0	0	0	0
Available-for-sale Financial Assets	10	0	0	79,769	0	79,769	79,769
Assets of Disposal Group Classified as Held for Sale	17	0	0	785	0	785	785
		0	**66,799**	**80,554**	**0**	**147,353**	**147,353**
Convertible Bonds – Liability Component	23	0	0	0	(74)	(74)	(74)
Accounts Payable and Accrued Expenses	19	0	0	0	(19,111)	(19,111)	(19,111)
Liabilities of Disposal Group Classified as Held for Sale	17	0	0	0	0	0	0
		0	**0**	**0**	**(19,185)**	**(19,185)**	**(19,185)**

22 Stockholders' Equity

COMMON STOCK

On 31 December 2012, the common stock of the Company including treasury shares amounted to € 23,358,228. This represented an increase of € 246,061 compared to 31 December 2011 (€ 23,112,167). Each share of common stock is entitled to one vote. The increase arose as a result of the exercise of 246,061 options issued to the Management Board and to employees.

On 31 December 2011, the common stock of the Company had amounted to € 23,112,167. The increase of € 221,915, or 221,915 shares, compared to 31 December 2010, was the result of the conversion and exercise of convertible bonds and options in 2011.

On 31 December 2012, treasury shares amounted to € 3,594,393 (255,415 shares) and increased by € 1,837,552 compared to 31 December 2011 (163,915 shares, € 1,756,841), due to the repurchase of 91,500 MorphoSys shares on the stock market in connection with the long-term incentive plan for MorphoSys AG's management.

AUTHORIZED CAPITAL

As of 31 December 2012, unused Authorized Capital 2008-I remained unchanged compared to 31 December 2011, to create a maximum of 8,864,103 new shares.

Authorized Capital 2012-II, agreed upon by the Annual General Meeting 2012, can be used to create up to 2,311,216 new shares and has not yet been claimed. As of 31 December 2011, the authorized capital 2008-II could be used to create a maximum of 2,216,025 new shares and has not been claimed before its cancellation at the Annual General Meeting 2012.

CONDITIONAL CAPITAL

In 2012, a total of 16,704 shares were raised from Conditional Capital II through the exercise of options by employees, increasing the subscribed capital by € 16,704. Furthermore, 229,357 shares were raised from Conditional Capital V through the exercise of options by employees, increasing the subscribed capital by € 229,357.

In 2011, a total of 3,696, 95,400 and 122,819 shares had been raised from Conditional Capital II, IV and V respectively with subscribed capital increasing by € 3,696, € 95,400 and € 122,819 from respective Conditional Capitals.

ADDITIONAL PAID-IN CAPITAL

On 31 December 2012, additional paid-in capital amounted to € 175,245,266 (31 December 2011: € 170,778,474). The total increase of € 4,466,792 is due to stock-based compensation in the amount of € 1,268,792, including the intrinsic value of convertible bonds. A further increase of € 3,198,000 arose from the exercise and conversion of options and convertible bonds in the year 2012.

In 2011, the additional paid-in capital had increased by € 4,390,391, resulting from stock-based compensation of € 1,488,342 and € 2,902,049 from the exercise and conversion of options and convertible bonds.

IFRS 2 “Share-based Payment” requires an expense to be recognized where the Group buys goods or services in exchange for shares or rights over shares (“equity-settled transactions”) or in exchange for other assets equivalent in value to a given number of shares or rights over shares (“cash-settled transactions”). The main impact of IFRS 2 on the Group refers to the expense associated with employees’ as well as Management Boards’ share options and other share-based incentives by using an option pricing model. In accordance with IFRS 2.54, the Group has applied IFRS 2 to equity-settled awards granted on or after 1 January 1999. In accordance with IFRS 2.56, options granted prior to 1 January 1999, are therefore not expensed. All information is nonetheless disclosed in line with IFRS 2.44 and 2.45. Further details are given in the Notes to the Consolidated Financial Statements – sections 23, 24, 25 and 26.*

*CROSS-REFERENCE /// SEE PAGE 112–114 AND 115

REVALUATION RESERVE

As of 31 December 2012, the revaluation reserve amounted to € 486,743 (31 December 2011: € 612,227). The decrease by € 125,484 was caused by the change in unrealized gains on available-for-sale financial assets, net of deferred taxes, in the amount of € 131,488 and the effects from equity-related recognition of deferred taxes in the amount of € 6,005.

TRANSLATION RESERVE

The translation reserve changed from € – 1,292,325 as of 31 December 2011 by € 182,460 to € 1,109,865 as of 31 December 2012. The line item comprises foreign exchange rate differences from the currency translation of assets and liabilities as of 31 December 2011 as well as differences from foreign exchange rates as used in the balance sheet and the income statement. The differences mainly arise from entities of the discontinued operation AbD Serotec, which are led in their local foreign currencies.

23 Convertible Bonds

On 1 April 2010, 352,800 convertible bonds were granted to Management Board members and employees of MorphoSys AG. The exercise price for the convertible bonds was € 16.79, representing the market price in the final Xetra auction at the Frankfurt Stock Exchange on the day of trading prior to the convertible bonds being issued. Each convertible bond with a nominal value of € 0.33 can be exchanged for one no-par value ordinary share of the Group against payment of the exercise price. The beneficiaries may exercise the conversion rights only after the expiration of a four-year vesting period from grant date. The exercise of the conversion rights is only possible if on one trading day during the lifetime of the convertible bonds the stock exchange price of one share has amounted to at least 110 % of the exercise price at grant date. The convertible bonds can no longer be exercised after 31 December 2015. In the event of non-exercise of the conversion rights, beneficiaries are refunded the amount paid to acquire the convertible bonds (€ 0.33 per bond/share). The convertible bonds are recorded at their attributive values, which approximate the amount of capital due on the day of maturity.

The table below summarizes the progression of the Group’s employee incentive convertible bonds plan for the financial years 2012 and 2011:

	Convertible Bonds	Weighted-average Price (€)
OUTSTANDING ON 1 JANUARY 2011	**448,200**	**15.94**
Granted	0	0
Exercised	(95,400)	12.81
Forfeited	(24,750)	16.79
Expired	0	0
OUTSTANDING ON 31 DECEMBER 2011	**328,050**	**16.79**
OUTSTANDING ON 1 JANUARY 2012	**328,050**	**16.79**
Granted	0	0
Exercised	0	0
Forfeited	(7,500)	16.79
Expired	0	0
OUTSTANDING ON 31 DECEMBER 2012	**320,550**	**16.79**

Convertible bonds exercisable on 31 December 2012 and 2011 amounted in each case to 0 shares.

The following table presents the weighted-average exercise price and information about the contractual life for significant convertible bond groups outstanding on 31 December 2012:

Range of Exercise Prices	Number Outstanding	Remaining Contractual Life (in Years)	Weighted-average Exercise Price (€)	Number Exercisable	Weighted-average Exercise Price (€)
€ 10.00 – € 17.00	320,550	3.00	16.79	0	0.00
	320,550	**3.00**	**16.79**	**0**	**0.00**

The Group accounts for stock-based compensation in accordance with IFRS 2 and IAS 32.28. The equity portion of the bonds is presented separately in the capital reserve and is deducted from the fair value of the bonds. The remaining value is recognized as stock-based compensation. The compensation expense recorded in 2012 and 2011 in connection with convertible bonds amounted to € 331,079 and € 666,920, respectively.

24 Stock Options

The general terms and conditions of stock-option plans that existed at any time during the reporting period are presented in the following table; all options are to be settled by physical delivery of shares.

Grant Date/Employees Entitled	Granted Stock Options	Vesting Period	Vesting Conditions (Share Price in Comparison to Strike Price)	Contractual Life of Options
1 July 2007 to employees	180,000	2 years 50%, 3 years 75%, 4 years 100%	Increase of 20% on at least one trading day during the lifetime	5 years
25 January 2008 to Management Board and employees	283,335	2 years 50%, 3 years 75%, 4 years 100%	Increase of 20% on at least one trading day during the lifetime	5 years
25 January 2008 to employees	29,070	2 years 50%, 3 years 75%, 4 years 100%	Cumulative increase of more than 10 % per annum	5 years
1 October 2008 to employees	92,664	2 years 50%, 3 years 75%, 4 years 100%	Increase of 20% on at least one trading day during the lifetime	5 years
1 April 2010 to Management Board and employees	422,200	2 years 50%, 3 years 75%, 4 years 100%	Increase of 20% on at least one trading day during the lifetime	5 years

For the years 2012 and 2011, 246,061 and 126,515 options were exercised, respectively.

The following table summarizes the progression of the Group's employee incentive stock option plans for the years 2012 and 2011:

	Shares	Weighted-average Price (€)
OUTSTANDING ON 1 JANUARY 2011	**924,017**	**13.56**
Granted	0	0
Exercised	(126,515)	15.16
Forfeited	0	0
Expired	0	0
OUTSTANDING ON 31 DECEMBER 2011	**797,502**	**13.31**
OUTSTANDING ON 1 JANUARY 2012	**797,502**	**13.31**
Granted	0	0
Exercised	(246,061)	14.00
Forfeited	0	0
Expired	0	0
OUTSTANDING ON 31 DECEMBER 2012	**551,441**	**13.00**

Stock options exercisable on 31 December 2012 and 2011 amounted to 451,391 and 503,657 shares, respectively. The weighted-average exercise price of exercisable stock options amounted to € 13.04 on 31 December 2012.

The following table presents the weighted-average price and information about the contractual life for significant option groups outstanding on 31 December 2012.

Range of Exercise Prices	Number Outstanding	Remaining Contractual Life (in Years)	Weighted-average Exercise Price (€)	Number Exercisable	Weighted-average Price (€)
€ 10.00 – € 12.99	330,203	1.25	12.81	230.153	12.81
€ 13.00 – € 15.00	221,238	0.19	13.29	221.238	13.29
	551,441	**0.83**	**13.00**	**451.391**	**13.04**

The Group accounts for stock-based compensation in accordance with IFRS 2, 'Share-based Payment'. Compensation expense recorded in connection with stock options in 2012 and 2011 amounted to € 168,044 and € 528,477, respectively.

25 Stock Appreciation Rights

On 1 October 2010, 15,000 stock appreciation rights were granted to employees of MorphoSys AG with terms and conditions identical to the convertible bond grant from 1 April 2010. Convertible bonds are to be settled by physical delivery of shares, while stock appreciation rights are settled in cash. The exercise price for the stock appreciation rights amounted to € 29.30 on 31 December 2012. The compensation expense amounted to € 79,375 in 2012, while the corresponding fixed liability on 31 December 2012 amounted to € 144,176. The stock appreciation rights can no longer be exercised after 30 June 2016.

26 Long-term Incentive Plan

On 1 April 2012, MorphoSys established a second long-term incentive plan (LTI plan) for the Management Board and the Senior Management Group. The plan qualifies as an equity-settled share-based payment transaction according to IFRS 2 and is accounted for accordingly. The LTI plan is a performance share plan and will be paid out in ordinary shares of MorphoSys AG, provided that predefined key performance indicators as annually approved by the Supervisory Board are achieved. The grant date was 1 April 2012 and the vesting period is four years. Within each year of the 4-year vesting period, a quarter of the performance shares are vested, provided that the key predetermined performance indicators are fully achieved for the respective period. The number of vested shares in each single year will be reduced if the key performance indicators of that period are achieved by 50% to 99%, or increased if the key performance indicators are achieved by more than 100% (200% as a maximum). An achievement of key performance indicators below 50% in any year will lead to a vesting of zero shares for this year. In any case, the maximum payout at the end of the 4-year period is capped by a Group factor which normally amounts to “1”. However, the Supervisory Board may set this factor freely between “0” and “2” in justifiable cases, e.g. in the case that the payout level is deemed inadequate in comparison to the overall development of the Company. The right to receive a specified share allocation from the LTI plan exists only at the end of the 4-year term.

In the event that the repurchased shares do not suffice to serve the LTI plan, MorphoSys reserves the right to pay out a specific amount of cash from the LTI plan equivalent to the value of the performance shares at the end of the vesting period, provided that such cash amount shall not exceed 200% of the fair value of the performance shares at grant date.

If a member of the Management Board ceases to hold an office within the MorphoSys Group through reason of termination, resignation, death, injury, disability or retirement (receipt of a normal retirement pension as long as the requirements for the disability pension entitlement are met) or – subject to the Supervisory Board’s discretion – under other circumstances, the member of the Management Board (or his/her inheritor) will be entitled to a daily pro-rated number of performance shares. If a member of the Management Board ceases to hold an office within the MorphoSys Group for good reason in the meaning of sec. 626 para. 2 of the German Civil Code and/or within the meaning of sec. 84 para. 3 German Stock Corporation Act or if notice to cease to hold office is given by the member of the Management Board, the beneficiary shall not be entitled to any performance share allocation.

In the event of a change of control during the 4-year period, all performance shares shall become fully vested. However, also in this event, the right to receive a specific share allocation from the LTI plan arises only at the end of the 4-year term.

In April 2012, MorphoSys repurchased 91,500 of its own shares for the LTI plan on the stock market with an average share price of € 20.08 per share. These 91,500 shares were granted to the beneficiaries as of 1 April 2012, thereof 57,967 shares to the Management Board (for details, see the table “Performance Shares”* in section 29, “Related Parties”) and 33,533 shares to the Senior Management Group. The fair value of the performance shares as of the grant date (1 April 2012) amounted to € 19.24 per share. No dividends were incorporated in the measurement of the fair value of the repurchased shares, because the Group does not anticipate paying a dividend in the foreseeable future.

*CROSS-REFERENCE /// SEE PAGE 118

On 1 October 2012, MorphoSys established a third long-term incentive plan (LTI plan) for members of the Senior Management Group under identical terms and conditions to the program as of 1 April 2012. 2,292 shares were granted. The fair value amounted to € 24.00 per share as at the grant date.

The long-term incentive plan established on 1 June 2011 still applies unchanged.

2,663 performance shares were forfeited in 2012, because a beneficiary of the LTI plan established in 2011 left MorphoSys.

On 31 December 2012, stock-based compensation from the Group’s LTI plans amounted to € 769,670 (December 2011: € 292,945).

27 Operating Leases and Other Commitments

The Group leases facilities and equipment on long-term operating leases. Total rent expense for the continuing operations amounted to € 1,713,477 and € 1,738,810 in the fiscal years 2012 and 2011, respectively. Significant leasing contracts mainly related to the buildings rented. The majority of these contracts can be renewed on an annual or quarterly basis. Some contracts can be terminated early.

Future minimum payments under non-cancellable operating leases, insurances and other services are composed as follows:

in 000's €	Rent and Leasing 2012	Rent and Leasing 2011	Other 2012	Other 2011
Up to One Year	1,562	3,129	1,245	681
Between One and Five Years	2,114	5,519	24	15
More than Five Years	0	3,726	0	0
TOTAL	3,676	12,374	1,269	696

The total expenses for the continuing operations due to operating leases, insurances and other services in the fiscal years 2012 and 2011 amounted to € 3,311,122 and € 3,566,436, respectively.

Furthermore, the following future payments for cancelable external studies can become due as a result of currently active contracts. In case of early termination, these amounts can, however, be reduced substantially in line with the respective contractual early-termination clauses.

in 000's €	Total 2012
Up to One Year	8,540
Between One and Five Years	11,989
More than Five Years	0
TOTAL	20,529

28 Contingencies

Management is not aware of any matters that could give rise to any material liability of the Group that would have a material adverse effect on the Group's financial position or results from operations.

In the event that certain milestones in the Proprietary Development segment are achieved, for example the filing of an application for an investigational new drug (IND) with regard to specific targets, milestone payments to licensors may be triggered. However, given the uncertainty regarding the timing and achievement of such milestones, no further details will be disclosed.

In the event that certain milestones in the Partnered Discovery segment are achieved by the respective partners, for example the filing of an application for an investigational new drug (IND) with regard to specific targets or the transfer of technology, milestone payments to MorphoSys may be triggered. However, given the uncertainty regarding the timing and achievement of such milestones, no further details will be disclosed.

	Total 2012 – Continuing Operations	Total 2012 – Discontinued Operations	Rent and Leasing 2012 – Discontinued Operations	Rent and Leasing 2011 – Discontinued Operations	Total 2012	Total 2011
	2,807	3,810	1,036	0	3,843	3,810
	2,138	5,534	2,587	0	4,725	5,534
	0	3,726	0	0	0	3,726
	4,945	**13,070**	**3,623**	**0**	**8,568**	**13,070**

29 Related Parties

The Group has related-party transactions with its Management Board members and with members of the Supervisory Board. In addition to the cash remuneration, the Group has issued stock options, convertible bonds and performance shares to the Management Board. The tables below show the shares, stock options, convertible bonds and performance shares as well as the changes of ownership in the same held by members of the Management Board and the Supervisory Board during the year 2012:

SHARES

	01/01/2012	Additions	Forfeitures	Sales	31/12/2012
MANAGEMENT BOARD					
Dr. Simon E. Moroney	419,885	0	0	0	419,885
Jens Holstein	5,000	1,500	0	0	6,500
Dr. Arndt Schottelius	2,000	0	0	0	2,000
Dr. Marlies Sproll	7,105	0	0	0	7,105
TOTAL	**433,990**	**1,500**	**0**	**0**	**435,490**
SUPERVISORY BOARD					
Dr. Gerald Möller	7,500	0	0	0	7,500
Prof. Dr. Jürgen Drews*	7,290	0	0	0	–
Dr. Walter Blättler	2,019	0	0	0	2,019
Dr. Daniel Camus	0	0	0	0	0
Dr. Marc Cluzel**	–	0	0	0	0
Dr. Metin Colpan*	0	0	0	0	–
Karin Eastham**	–	0	0	0	0
Dr. Geoffrey N. Vernon	0	0	0	0	0
TOTAL	**16,809**	**0**	**0**	**0**	**9,519**

* Left the Supervisory Board of MorphoSys AG on 31 May 2012
** Joined the Supervisory Board of MorphoSys AG on 31 May 2012

STOCK OPTIONS

	01/01/2012	Additions	Forfeitures	Exercises	31/12/2012
MANAGEMENT BOARD					
Dr. Simon E. Moroney	191,445	0	0	0	191,445
Jens Holstein	0	0	0	0	0
Dr. Arndt Schottelius	90,000	0	0	0	90,000
Dr. Marlies Sproll	102,867	0	0	0	102,867
TOTAL	384,312	0	0	0	384,312

CONVERTIBLE BONDS

	01/01/2012	Additions	Forfeitures	Exercises	31/12/2012
MANAGEMENT BOARD					
Dr. Simon E. Moroney	58,800	0	0	0	58,800
Jens Holstein	0	0	0	0	0
Dr. Arndt Schottelius	33,000	0	0	0	33,000
Dr. Marlies Sproll	33,000	0	0	0	33,000
TOTAL	124,800	0	0	0	124,800

PERFORMANCE SHARES

	01/01/2012	Additions	Forfeitures	Exercises	31/12/2012
MANAGEMENT BOARD					
Dr. Simon E. Moroney	17,676	18,976	0	0	36,652
Jens Holstein	12,107	12,997	0	0	25,104
Dr. Arndt Schottelius	12,107	12,997	0	0	25,104
Dr. Marlies Sproll	12,107	12,997	0	0	25,104
TOTAL	53,997	57,967	0	0	111,964

No stock options, convertible bonds or performance shares are held by the Supervisory Board.

The salaries of the Management Board and the Supervisory Board consisted of fixed and variable components as well as other compensatory benefits. In the event of non-reappointment and non-prolongation of the service agreement, each member of the Management Board is entitled to receive a severance payment in the amount of one annual fixed salary. Total compensation for the Supervisory Board excluding reimbursements of travel expenses amounted to € 478,197 in 2012 (2011: € 384,750).

The tables below show the detailed compensation for the Management Board and the Supervisory Board:

MANAGEMENT BOARD COMPENSATION 2012:

	Fixed Compensation		Short-term Incentive Compensation	Long-term Incentive Compensation (Target Attainment Depends on Company Goals)		Total Compensation
	Base Salary in €	Other Compensatory Benefits in €	Variable Compensation in €*	No. of Performance Shares Granted	Fair Value at The Time of the Grantin €	in €
Dr. Simon E. Moroney	401,980	139,555	226,689	18,976	365,000	1,133,224
Jens Holstein	271,867	129,836	176,890	12,997	250,000	828,593
Dr. Arndt Schottelius	272,700	103,841	164,155	12,997	250,000	790,696
Dr. Marlies Sproll	272,700	96,609	162,653	12,997	250,000	781,962
TOTAL	**1,219,247**	**469,841**	**730,387**	**57,967**	**1,115,000**	**3,534,475**

* The total remuneration figures shown for 2012 include the corresponding bonus accruals for 2012, which will be paid out in February 2013.

MANAGEMENT BOARD COMPENSATION 2011:

	Fixed Compensation		Short-term Incentive Compensation	Long-term Incentive Compensation (Target Attainment Depends on Company Goals)		Total Compensation
	Base Salary in €	Other Compensatory Benefits in €	Variable Compensation in €***	No. of Performance Shares Granted	Fair Value at The Time of the Grantin €	in €
Dr. Simon E. Moroney	386,862	135,131	181,825	17,676	377,206	1,081,024
Dave Lemus*	132,119	479,009	72,026	–	–	683,154
Jens Holstein**	167,500	181,584	83,750	12,107	258,363	691,197
Dr. Arndt Schottelius	256,000	99,046	107,520	12,107	258,363	720,929
Dr. Marlies Sproll	262,259	94,563	125,884	12,107	258,363	741,069
TOTAL	**1,204,740**	**989,333**	**571,005**	**53,997**	**1,152,295**	**3,917,373**

* Mr. Lemus left the Management Board of MorphoSys AG on 10 March 2011.
** Mr. Holstein joined the Management Board of MorphoSys on 1 May 2011.
*** The total remuneration figures shown for 2011 include the corresponding bonus accruals for 2011, which were paid out in February 2012.

SUPERVISORY BOARD COMPENSATION 2012 AND 2011:

	Fixed Compensation		Attendance Fees		Total Compensation	
in €	2012	2011	2012	2011	2012	2011
Dr. Gerald Möller	94,400	70,000	37,000	26,000	131,400	96,000
Prof. Dr. Jürgen Drews*	26,264	57,750	9,500	17,500	35,764	75,250
Dr. Walter Blättler	43,160	39,500	21,500	13,500	64,660	53,000
Dr. Daniel Camus	41,939	36,500	23,500	19,000	65,439	55,500
Dr. Marc Cluzel**	27,116	–	19,000	–	46,116	-
Dr. Metin Colpan*	16,678	36,500	6,000	8,500	22,678	45,000
Karin Eastham**	23,591	–	15,000	–	38,591	-
Dr. Geoffrey N. Vernon	51,549	39,500	22,000	20,500	73,549	60,000
GESAMT	**324,697**	**279,750**	**153,500**	**105,000**	**478,197**	**384,750**

* Left the Supervisory Board of MorphoSys AG on 31 May 2012
** Joined the Supervisory Board of MorphoSys AG on 31 May 2012

No other agreements with current or former members of the Supervisory Board are currently in place.

The Senior Management Group held 150,026 stock options on 31 December 2012 (31 December 2011: 310,320 shares), 180,000 convertible bonds (31 December 2011: 195,000 shares), 15,000 stock appreciation rights (SARs) (31 December 2011: 15,000 shares) and 63,184 performance shares (31 December 2011: 30,022 shares) that were granted to it by the Company. No further share options, convertible bonds or stock appreciation rights were issued to the Senior Management Group in 2012. However, 35,825 Performance Shares were granted in 2012 under the second long-term incentive plan. 160,294 share options were exercised in 2012, while no convertible bonds or stock appreciation rights were exercised in the same period. 2,663 performance shares and 7,500 convertible bonds forfeited in 2012 as a beneficiary left MorphoSys. This beneficiary continues to hold 7,500 convertible bonds.

30 Corporate Governance

The Group issued its declaration of compliance with the recommendations of the Government Commission on the German Corporate Governance Code for fiscal year 2012 according to sec. 161 of the German Stock Corporation Act (Aktiengesetz). This declaration was published and made permanently accessible to stockholders accordingly on the Group's website (www.morphosys.de) on 7 December 2012.

31 Research and Development Agreements

The Group has a significant number of research and development relationships in conjunction with its partnered discovery strategy, its proprietary research and development activities and to a smaller degree in the research reagent and diagnostic space, operated by the Group's AbD Serotec segment.

PARTNERED DISCOVERY SEGMENT

In its commercial agreements within the Partnered Discovery segment MorphoSys receives different types of payments, which are booked as revenues spread over the lifetime of the agreement or booked in full in connection with the achievement of defined tasks and milestones. These payments include upfront payments at signature, annual license payments in exchange for access to MorphoSys's technologies, and research funding for work carried out at MorphoSys on behalf of the partner company. Additionally, MorphoSys is eligible to receive development-dependent milestone payments and royalties on product sales for individual antibody drug programs.

The active collaboration with several partners was already concluded prior to the fiscal year 2012 as the original term of the agreements came to an end. Drug development programs initiated during the active phase are designed in such way that they can be continued by the partner and thus, could result in future success-based payments upon meeting defined milestones. More details on individual drug candidates within the various alliances, restricted to public information, can be found in the Research & Development section* and in the overview of the Group's drug pipeline in this report. More details on the individual research alliances can be found on the Group's website.

*CROSS-REFERENCE /// SEE PAGE 26

Partnerships, that were already concluded prior to the start of 2012, but had active drug development programs ongoing, include (in alphabetic order): Bayer Healthcare Pharmaceuticals, Boehringer Ingelheim, Daiichi-Sankyo, F. Hoffmann-La Roche, Janssen Biotech (formerly Centocor Ortho Biotech), Merck & Co., OncoMed Pharmaceuticals, Pfizer, Prochon Biotech Ltd. and Schering-Plough (a subsidiary of Merck & Co.).

Partnerships, that were still active during 2012, included (in alphabetic order), Astellas, ContraFect, GeneFrontier Corporation/Kaneka and Novartis. Of those partnerships, the active collaboration with Astellas was concluded in 2012.

The Group's largest alliance today is with Novartis AG. The two companies started working together in 2004 in a collaboration that has so far resulted in multiple active therapeutic antibody programs in various diseases. In December 2007, MorphoSys and Novartis substantially expanded their previous relationship and forged one of the most comprehensive strategic alliances in the discovery and development of biopharmaceuticals. Based on a ten-year term, committed annual payments total more than € 400 million in technology access, internalization fees and R&D funding, excluding reimbursement of R&D costs related to early-stage development activities. Total payments under the agreement, including committed payments and probability-weighted success-based milestones, contingent upon successful clinical development and market approval of multiple products, could potentially exceed € 650 million, assuming the collaboration successfully runs its maximum term. In addition to these payments, MorphoSys would also be entitled to royalty payments and/or profit sharing on any future product sales.

In November 2012 MorphoSys and Novartis formed an alliance for the use of the new technology platform Ylanthia. This expansion of the existing strategic alliance represented the marketing launch of Ylanthia and should result in even better antibody technologies that can be developed faster than ever before.

PROPRIETARY DEVELOPMENT SEGMENT

In the Proprietary Development segment partnerships are aligned along the Group's goals for own drug development activities in its key indications – cancer, inflammatory diseases and infections. These partnerships include (in alphabetic order): Absynth Biologics, Galapagos and Xencor.

In September 2010, MorphoSys announced a new proprietary development program against novel infectious disease targets. As part of this initiative, MorphoSys has signed a license and collaboration agreement with UK-based Absynth Biologics, providing access to novel target molecules associated with Staphylococcus aureus infections including MRSA (methicillin-resistant S. aureus). MorphoSys will generate antibodies using its proprietary HuCAL PLATINUM antibody library which Absynth will test in relevant disease models. MorphoSys will be solely responsible for the development and partnering of the resulting compounds. Absynth has received an upfront payment and is eligible for development-dependent milestone payments and royalties.

In November 2008, MorphoSys and Galapagos announced the launch of a long-term co-development alliance aimed at discovering and developing antibody therapies based on novel modes of action in bone and joint disease, including rheumatoid arthritis, osteoporosis and osteoarthritis. The alliance spans all activities from target discovery through to completion of proof of concept clinical trials of novel therapeutic antibodies. Following proof of concept in human clinical trials, programs will be partnered for subsequent development, approval and marketing. Both companies contributed their core technologies and expertise to the alliance. Galapagos provided antibody targets implicated in bone and joint disease in addition to its adenoviral target discovery platform to discover further targets for antibody development. MorphoSys contributed its HuCAL antibody technologies to generate fully human antibodies directed against these targets. Under the terms of the agreement, Galapagos and MorphoSys shared the research and development costs equally.

In June 2010, MorphoSys AG and US-based biopharmaceutical company Xencor signed a worldwide exclusive license and collaboration agreement. The agreement provided MorphoSys with an exclusive worldwide license to XmAb5574/MOR208 for the treatment of cancer and other indications. As part of the agreement, the companies will collaborate on the phase 1 trial in patients with chronic lymphocytic leukemia in the US. MorphoSys will be solely responsible for further clinical development after successful completion of the phase 1 clinical trial. MorphoSys paid to Xencor an upfront payment of US$ 13 million (approx. € 10.5 million), which was capitalized as an intangible asset under development. Xencor will be eligible to receive development-, regulatory- and commercialization-related milestone payments and tiered royalties based on product sales.

Xencor completed the phase 1 trial in the fiscal year 2012 and presented clinical data. MorphoSys intends to continue the clinical development in phase 2 trials in 2013.

In November 2012, MorphoSys announced a collaboration with privately held Lanthio Pharma B.V, a Dutch biopharmaceutical company focused on discovering and developing lantipeptides. MorphoSys also made an equity investment in Lanthio Pharma as part of the company's Series A financing round. Lantipeptides comprise a novel class of therapeutics with high target selectivity and improved drug-like properties. Lanthio Pharma's technology LanthioPep can be used to identify peptides which are selective for a specific disease target and to stabilize them in their optimal structural conformation for receptor binding. MorphoSys and Lanthio Pharma will jointly apply their respective technologies to establish high quality and diverse lantipeptide-based libraries. MorphoSys receives preferred rights to exclusively license the LanthioPep technology for drug discovery.

ABD SEROTEC SEGMENT

MorphoSys's research and development segment AbD Serotec has relationships with a growing number of diagnostic companies, industrial customers and research organizations including (in alphabetic order): Diasorin, FIND, Merck & Co., Novozymes, Phadia, Proteomika, Shionogi and Spinreact.

Entities included in Consolidation (Appendix 1)

APPENDIX 1: CONSOLIDATED COMPANIES ON 31 DECEMBER 2012

Name and Corporate Seat of the Company	Local Currency	Exchange Rate on Dec 31, 2012 one Unit of Euro in Local Currency
COMPANY CONSOLIDATED (APART FROM PARENT COMPANY) – CONTINUED OPERATIONS		
MorphoSys USA, Inc., Charlotte, North Carolina, USA	US $	1.32433
MorphoSys IP GmbH, Munich, Germany	€	–
Poole Real Estate Ltd., Poole, UK	£	0.82061
Sloning BioTechnology GmbH, Puchheim, Germany	€	–
COMPANY CONSOLIDATED (APART FROM PARENT COMPANY) – DISCONTINUED OPERATIONS		
MorphoSys UK Ltd., Oxford, UK	£	0.82061
MorphoSys US, Inc., Raleigh, North Carolina, USA	US $	1.32433
MorphoSys AbD GmbH, Düsseldorf, Germany	€	–

	Share of Capital %	Share Capital in Local Currency	Total Assets in Local Currency	Total Liabilities in Local Currency	Total Revenue in Local Currency	Profit/Loss in Local Currency
	100	2,000	11,425	0	0	(1,353)
	100	25,000	3,281,354	3,252,873	3,343,800	(4,597)
	100	200	815,307	6,500	0	(19,557)
	100	951,660	12,676,488	4,066,295	3,226,156	2,515,969
	100	100	7,627,474	2,128,061	8,685,213	367,416
	100	50,000	3,068,992	788,969	8,600,826	201,565
	100	25,000	1,437,727	99,849	2,660,086	77,193

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Martinsried, 18 February 2013

Dr. Simon E. Moroney
Chief Executive Officer

Jens Holstein
Chief Financial Officer

Dr. Arndt Schottelius
Chief Development Officer

Dr. Marlies Sproll
Chief Scientific Officer