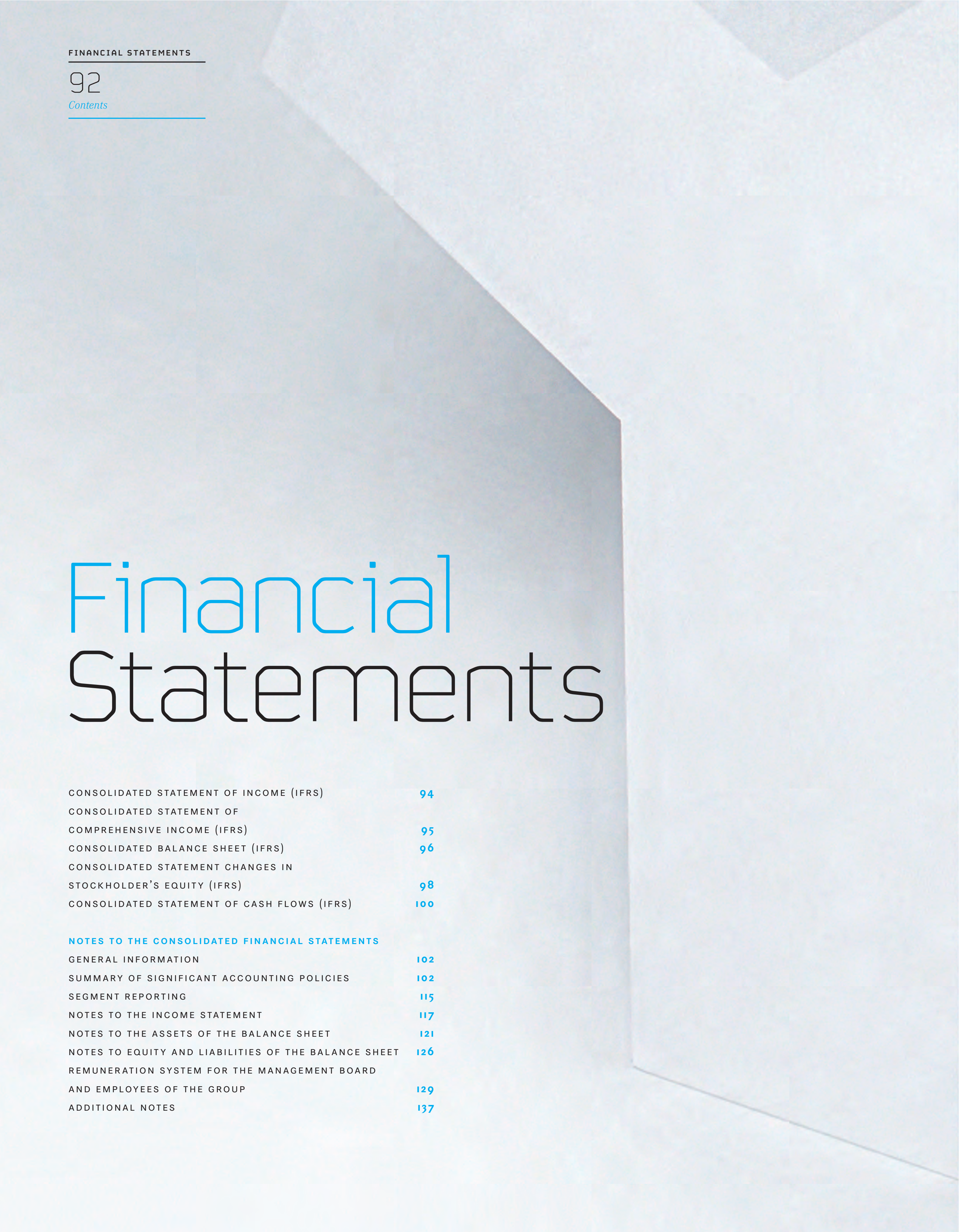

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Consolidated Statement of Income (IFRS)

in €	Note	2014	2013
Continuing Operations			
Revenues	2.7.1, 4.1	63,977,978	77,960,057
Operating Expenses			
Research and Development	2.7.2, 4.2.1	55,962,693	49,151,721
General and Administrative	2.7.2, 4.2.2	14,146,042	18,769,991
Total Operating Expenses		70,108,735	67,921,712
Other Income	2.7.3, 4.3	782,273	797,252
Other Expenses	2.7.4, 4.3	550,084	911,050
Earnings before Interest and Taxes (EBIT)		(5,898,568)	9,924,547
Finance Income	2.7.5, 4.3	1,809,751	867,511
Finance Expenses	2.7.6, 4.3	219,879	111,161
Income Tax (Expenses)/Income	2.7.7, 4.4	1,296,067	(3,310,077)
Result for the Year from Continuing Operations		(3,012,629)	7,370,820
Result for the Year from Discontinued Operations		0	5,951,110
Consolidated Net (Loss)/Profit		(3,012,629)	13,321,930
Basic Net (Loss)/Profit per Share	2.7.8, 4.5	(0.12)	0.54
thereof from Continuing Operations	2.7.8, 4.5	(0.12)	0.30
thereof from Discontinued Operations	2.7.8, 4.5	0.00	0.24
Diluted Net (Loss)/Profit per Share	2.7.8, 4.5	(0.12)	0.54
thereof from Continuing Operations	2.7.8, 4.5	(0.12)	0.30
thereof from Discontinued Operations	2.7.8, 4.5	0.00	0.24
Shares Used in Computing Basic Net Result per Share	2.7.8, 4.5	25,903,995	24,504,031
Shares Used in Computing Diluted Net Result per Share	2.7.8, 4.5	26,190,314	24,763,094

Consolidated Statement of Comprehensive Income (IFRS)*

in €	2014	2013
Consolidated Net (Loss)/Profit	(3,012,629)	13,321,930
Change in Unrealized Gains and Losses on Available-for-sale Financial Assets and Bonds	(347,517)	(357,632)
(Thereof Reclassifications of Unrealized Gains and Losses to Profit and Loss)	318,957	482,018
Change of Current Tax Effects presented in Other Comprehensive Income on Available-for-sale Financial Assets and Bonds	244,151	259,878
Deferred Taxes	(141,657)	(176,706)
Change in Unrealized Gains and Losses on Available-for-sale Financial Assets and Bonds, Net of Deferred Tax	(245,023)	(274,460)
Effects from Equity-related Recognition of Deferred Taxes	0	28,098
Foreign Currency Gain from Consolidation	101,290	1,302,421
Comprehensive Income	(143,733)	1,056,059
Total Comprehensive Income	(3,156,362)	14,377,989
thereof from Continuing Operations	(3,156,362)	13,001,310
thereof from Discontinued Operations	0	1,376,679

* In financial years 2014 and 2013, the statement of comprehensive income only comprised components, which will be reclassified in terms of IAS 1.82A(b) to profit or in subsequent periods when specific conditions are met.

Consolidated Balance Sheet (IFRS)

in €	Note	12/31/2014	12/31/2013
ASSETS			
Current Assets			
Cash and Cash Equivalents	2.8.1, 5.1	32,238,161	71,873,696
Available-for-sale Financial Assets	2.8.1, 5.2	106,039,373	188,360,354
Bonds, Available-for-sale	2.8.1, 5.2	7,488,259	11,102,087
Accounts Receivable	2.8.2, 5.3	14,990,532	10,270,322
Tax Receivables	2.8.2, 5.5	1,120,563	77,743
Other Receivables	2.8.2, 5.4	157,093,262	119,458,330
Inventories, Net	2.8.3, 5.5	556,171	731,009
Prepaid Expenses and Other Current Assets	2.8.4, 5.5	2,869,067	4,693,943
Total Current Assets		322,395,388	406,567,484
Non-current Assets			
Property, Plant and Equipment, Net	2.8.5, 5.6	3,557,729	2,168,189
Patents, Net	2.8.6, 5.7.1	6,987,910	7,834,711
Licenses, Net	2.8.6, 5.7.2	1,343,188	5,396,516
In-Licensed Research Programs	2.8.6, 5.7.3	28,254,201	12,807,800
Software, Net	2.8.6, 5.7.4	2,042,206	1,758,026
Goodwill	2.8.6, 5.7.5	7,352,467	7,352,467
Other Receivables, Net of Current Portion	2.8.2, 5.4	50,030,000	0
Shares Available-for-sale, Net of Current Portion	2.8.7, 5.8	1,726,633	1,726,633
Deferred Tax Asset	2.8.7, 4.4	1,737,387	313,372
Prepaid Expenses and Other Assets, Net of Current Portion	2.8.8, 5.9	1,050,864	1,731,548
Total Non-current Assets		104,082,585	41,089,262
TOTAL ASSETS		**426,477,973**	**447,656,746**

in €	Note	12/31/2014	12/31/2013
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts Payable and Accrued Expenses	2.9.1, 6.1	17,830,792	17,190,021
Tax Liabilities	2.9.2, 6.2	777,281	2,690,282
Provisions	2.9.1, 6.2	19,541	260,000
Current Portion of Deferred Revenue	2.9.3, 6.3	14,075,166	15,266,877
Total Current Liabilities		32,702,780	35,407,180
Non-current Liabilities			
Provisions, Net of Current Portion	2.9.4, 6.2	43,344	636,941
Deferred Revenue, Net of Current Portion	2.9.4, 6.3	44,677,035	59,168,599
Convertible Bonds due to Related Parties	2.9.5	251,679	298,606
Total Non-current Liabilities		44,972,058	60,104,146
Total Liabilities		77,674,838	95,511,326
Stockholders' Equity			
Common Stock	2.9.7, 6.4.1	26,456,834	26,220,882
Ordinary Shares Issued (26,456,834 and 26,220,882 for 2014 and 2013, respectively)			
Ordinary Shares Outstanding (26,005,944 and 25,880,992 for 2014 and 2013, respectively)			
Treasury Stock (450,890 and 339,890 shares for 2014 and 2013, respectively), at Cost	2.9.7, 6.4.4	(14,251,962)	(6,418,018)
Additional Paid-in Capital	2.9.7, 6.4.5	318,375,720	310,963,651
Revaluation Reserve	2.9.7, 6.4.6	(4,642)	240,381
Translation Reserve	2.9.7, 6.4.7	293,846	192,556
Accumulated Income	2.9.7, 6.4.8	17,933,339	20,945,968
Total Stockholders' Equity		348,803,135	352,145,420
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY		**426,477,973**	**447,656,746**

Consolidated Statement Changes in Stockholder's Equity (IFRS)

	Common Stock	
	Shares	€
BALANCE AS OF 1 JANUARY 2013	**23,358,228**	**23,358,228**
Compensation Related to the Grant of Stock Options, Convertible Bonds and Performance Shares	0	0
Exercise of Options and Convertible Bonds Issued to Related Parties, Net of Issuance Costs of € 11,419 (Net of Tax Effects)	551,438	551,438
Repurchase of Treasury Stock	0	0
Capital Increase, Net of Issuance Cost of € 1,698,232 (Net of Tax Effects)	2,311,216	2,311,216
Reserves:		
Change in Unrealized Gain on Available-for-sale Financial Assets and Bonds, Net of Tax Effects	0	0
Effects from Equity-related Recognition of Deferred Taxes	0	0
Foreign Currency Gains and Losses from Consolidation	0	0
Consolidated Net Profit	0	0
Total Comprehensive Income	0	0
BALANCE AS OF 31 DECEMBER 2013	**26,220,882**	**26,220,882**
BALANCE AS OF 1 JANUARY 2014	**26,220,882**	**26,220,882**
Compensation Related to the Grant of Stock Options, Convertible Bonds and Performance Shares	0	0
Exercise of Convertible Bonds Issued to Related Parties	235,952	235,952
Repurchase of Treasury Stock	0	0
Reserves:		
Change in Unrealized Gain on Available-for-sale Financial Assets and Bonds, Net of Tax Effects	0	0
Foreign Currency Gains and Losses from Consolidation	0	0
Consolidated Net Loss	0	0
Total Comprehensive Income	0	0
BALANCE AS OF 31 DECEMBER 2014	**26,456,834**	**26,456,834**

Treasury Stock		Additional Paid-in Capital	Revaluation Reserve	Translation Reserve	Accumulated Income	Total Stockholders' Equity
Shares	€	€	€	€	€	€
255,415	**(3,594,393)**	**175,245,266**	**486,743**	**(1,109,865)**	**7,624,038**	**202,010,017**
0	0	4,742,092	0	0	0	4,742,092
0	0	6,606,570	0	0	0	7,158,008
84,475	(2,823,625)	0	0	0	0	(2,823,625)
0	0	124,369,723	0	0	0	126,680,939
0	0	0	(274,460)	0	0	(274,460)
0	0	0	28,098	0	0	28,098
0	0	0	0	1,302,421	0	1,302,421
0	0	0	0	0	13,321,930	13,321,930
0	0	0	(246,362)	1,302,421	13,321,930	14,377,989
339,890	**(6,418,018)**	**310,963,651**	**240,381**	**192,556**	**20,945,968**	**352,145,420**
339,890	**(6,418,018)**	**310,963,651**	**240,381**	**192,556**	**20,945,968**	**352,145,420**
0	0	3,686,387	0	0	0	3,686,387
0	0	3,725,682	0	0	0	3,961,634
111,000	(7,833,944)	0	0	0	0	(7,833,944)
0	0	0	(245,023)	0	0	(245,023)
0	0	0	0	101,290	0	101,290
0	0	0	0	0	(3,012,629)	(3,012,629)
0	0	0	(245,023)	101,290	(3,012,629)	(3,156,362)
450,890	**(14,251,962)**	**318,375,720**	**(4,642)**	**293,846**	**17,933,339**	**348,803,135**

Consolidated Statement of Cash Flows (IFRS)

in €	Note	2014	2013
OPERATING ACTIVITIES:			
Consolidated Net (Loss)/Profit		(3,012,629)	13,321,930
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities:			
Impairment of Assets	5.6, 5.7	4,117,590	1,624,255
Depreciation and Amortization of Tangible and Intangible Assets	5.6, 5.7	4,134,479	4,834,447
Net Gain on Sales of Financial Assets	5.2	(727,979)	(520,730)
Purchase of Derivative Financial Instruments	5.4	(15,820)	(22,800)
Proceeds from the Disposal of Derivative Financial Instruments		9,503	0
Unrealized Net Gain/(Loss) on Derivative Financial Instruments	5.4	(38,189)	22,800
(Gain)/Loss on Sale of Property, Plant and Equipment/Intangible Assets		(7,269)	6,791
Loss from Liquidation of Subsidiaries		76,489	0
Net Gain on Sale of Assets Classified as Available-for-sale		0	(8,000,712)
Recognition of Deferred Revenue	6.3	(33,546,601)	(23,989,809)
Stock-based Compensation	4.2.3, 7	3,959,340	5,145,455
Income Tax Expenses/(Income)	4.4	(1,296,067)	3,699,337
Changes in Operating Assets and Liabilities:			
Accounts Receivable	5.3	(4,720,210)	(1,500,912)
Prepaid Expenses, Other Assets and Tax Receivables	5.4, 5.5	907,573	(3,157,708)
Accounts Payable and Accrued Expenses and Provisions	6.1, 6.2	218,748	6,524,350
Other Liabilities	6.1	156,412	526,350
Deferred Revenue	6.3	17,863,327	91,860,930
Interest Paid		(117,371)	(24,591)
Interest Received		762,680	167,797
Income Taxes Paid		(2,942,362)	(1,379,563)
Net Cash Provided/(Used) by Operating Activities		(14,218,356)	89,137,617
thereof from Continuing Operations		(14,218,356)	91,005,448
thereof from Discontinued Operations		0	(1,867,831)

in €	Note	2014	2013
INVESTING ACTIVITIES:			
Purchase of Financial Assets	5.2	(149,061,725)	(192,261,784)
Proceeds from Sales of Financial Assets	5.2	231,934,641	83,823,406
Purchase of Bonds, Available-for-sale	5.2	(7,571,909)	(11,138,742)
Proceeds from Sales of Bonds, Available-for-sale		11,156,203	0
Purchase of Assets Classified as Loans and Receivables	2.8.2, 5.4	(241,635,544)	(173,185,607)
Proceeds from Sale of Assets Classified as Loans and Receivables	2.8.2, 5.4	149,466,472	68,729,122
Purchase of Shares Classified as Available-for-sale	2.8.7, 5.8	0	(845,000)
Purchase of Property, Plant and Equipment	5.6	(2,899,662)	(1,049,566)
Proceeds from Disposals of Property, Plant and Equipment		5,000	5,950
Purchase of Intangible Assets	5.7	(17,579,001)	(4,513,991)
Proceeds from Disposal of Assets Classified as Available-for-sale		0	36,579,511
Proceeds from Closing of an Escrow Account		4,686,883	0
Net Cash Used by Investing Activities		(21,498,642)	(193,856,701)
thereof from Continuing Operations		(21,498,642)	(230,437,417)
thereof from Discontinued Operations		0	36,580,716
FINANCING ACTIVITIES:			
Repurchase of Treasury Stock	6.4.4	(7,833,944)	(2,823,625)
Proceeds of Share Issuance		0	128,379,156
Proceeds from the Exercise of Options and Convertible Bonds Granted to Related Parties		3,914,707	7,169,564
Net of Proceeds and Payments from the Issuance of Convertible Bonds Granted to Related Parties	7.1.2	0	225,000
Cost of Share Issuance	6.4.5	0	(2,323,688)
Net Cash Provided/(Used) by Financing Activities		(3,919,237)	130,626,407
thereof from Continuing Operations		(3,919,237)	130,626,407
thereof from Discontinued Operations		0	0
Effect of Exchange Rate Differences on Cash		700	(4,467)
(Decrease)/Increase in Cash and Cash Equivalents		(39,635,535)	25,902,856
Cash and Cash Equivalents at the Beginning of the Period		71,873,696	45,970,840
Cash and Cash Equivalents at the End of the Period		32,238,161	71,873,696

Notes

1 General Information

BUSINESS ACTIVITIES AND THE COMPANY

MorphoSys AG ("the Company" or "MorphoSys") is a leader in the development of highly efficient technologies for the generation of therapeutic antibodies. The Company's proprietary portfolio of compounds and the pipeline of compounds jointly developed with partners from the pharmaceutical and biotechnology industry is among one of the broadest in the industry. The Group 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 completed its initial public offering on Germany's "Neuer Markt": the segment of the Deutsche Börse designated for high-growth companies. On 15 January 2003, MorphoSys AG was admitted to the Prime Standard segment of the Frankfurt Stock Exchange.

2 Summary of Significant Accounting Policies

2.1 BASIS OF AND CHANGES IN ACCOUNTING STANDARDS

2.1.1 BASIS OF APPLICATION

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB), London. The statements take into account the recommendations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), as applicable in the European Union (EU). They also give consideration to the supplementary German commercial law provisions, applicable in accordance with Sec. 315a Para. 1 of the German Commercial Code (HGB).

These consolidated financial statements as of 31 December 2014 comprise MorphoSys AG and its subsidiaries (collectively referred to as the "MorphoSys Group" or the "Group").

In preparing the consolidated financial statements in accordance with IFRS, the Management Board is required to make certain estimates and assumptions which have an effect on the amounts recognized in the consolidated financial statements and the accompanying notes. The actual results may differ from these estimates. The estimates and the underlying assumptions are subject to continuous review. Any changes in estimates are recognized in the period in which the changes are made and in all relevant future periods.

The consolidated financial statements have been prepared in euro – the MorphoSys Group's functional currency. The statements are prepared on the basis of historical cost, except for derivative financial instruments and available-for-sale financial assets, which are recognized at their respective fair value. All figures in this report are rounded to the nearest euro, thousand euros, or million euros.

To provide improved transparency, the presentation of reserves in the balance sheet is divided into "Revaluation Reserve" and "Translation Reserve".

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

2.1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting principles applied generally correspond to the policies used in the prior year.

In the past financial year, the following new and revised standards and interpretations were applied for the first time.

Standard/Interpretation		Mandatory application for financial years starting on	Adopted by the European Union	Impact on MorphoSys
IFRS 10	Consolidated Financial Statements	01/01/2014	yes	none
IFRS 11	Joint Arrangements	01/01/2014	yes	none
IFRS 12	Disclosure of Interests in Other Entities	01/01/2014	yes	yes
IFRS 10/12 and IAS 27 (A)	Amendment to standard – Investment Entities	01/01/2014	yes	none
IFRS 10/11/12 (A)	Amendment to standard – Transitional Provisions	01/01/2014	yes	yes
IAS 27 (R)	Separate Financial Statements	01/01/2014	yes	none
IAS 28 (R)	Investments in Associates and Joint Ventures	01/01/2014	yes	none
IAS 32 (A)	Financial Instruments: Presentation – Offsetting of Financial Assets and Financial Liabilities	01/01/2014	yes	none
IAS 36 (A)	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets	01/01/2014	yes	none
IAS 39 (A)	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting	01/01/2014	yes	none
(A) Amended				
(R) Revised				

The impact of the new and revised standards and interpretations is explained below.

- IFRS 12 “Disclosure of Interests in Other Entities“: please see item 2.2.2 of the Notes* for a description of the relevant impact.
- Amendments to the transitional provisions of IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”: The amendments clarify that the date of the first-time adoption of IFRS 10 is the first day of the financial year of the first-time adoption. Therefore, for the MorphoSys Group, this date is 1 January 2014. Provisions under IFRS 12 regarding disclosures in the notes have also been amended. These were observed by the MorphoSys Group.

*CROSS-REFERENCE TO PAGE 105

The following new and revised standards and interpretations that were not yet mandatory for the financial year or were not yet adopted by the European Union, have not been applied in advance. Standards with the remark “yes” are likely to have an impact on the consolidated financial statements. Their impact is currently being assessed by the Group. Standards with the remark “none” are not likely to have a material impact on the consolidated financial statements.

Standard/Interpretation		Mandatory application for financial years starting on	Adopted by the European Union	Possible impact on MorphoSys
IFRS 9	Financial Instruments	01/01/2018	no	yes
IFRS 14	Regulatory Deferral Accounts	01/01/2016	no	none
IFRS 15	Revenue from Contracts with Customers	01/01/2017	no	yes
IFRS 10 and IAS 28 (A)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01/01/2016	no	none
IFRS 11 (A)	Accounting for Acquisitions of Interests in Joint Operations	01/01/2016	no	none
IAS 16 and IAS 38 (A)	Clarification of Acceptable Methods of Depreciation and Amortization	01/01/2016	no	none
IAS 16 and IAS 41 (A)	Bearer Plants	01/01/2016	no	none
IAS 19 (A)	Employee Contributions to Defined Benefit Plans	01/07/2014	no	none
IAS 27 (A)	Application of the Equity Method in Separate Financial Statements	01/01/2016	no	none
IFRIC 21	Levies	17/06/2014	yes	none
	Improvements to International Financial Reporting Standards, 2010 - 2012 cycle	01/07/2014	no	none
	Improvements to International Financial Reporting Standards, 2011 - 2013 cycle	01/07/2014	no	none
	Improvements to International Financial Reporting Standards, 2012 - 2014 cycle	01/01/2016	no	none
(A) Amended	Erweitert			

2.2 CONSOLIDATION PRINCIPLES

Intercompany balances and transactions and any unrealized gains arising from intercompany transactions are eliminated when preparing consolidated financial statements pursuant to IFRS 10.B86. Unrealized losses are eliminated in the same manner as unrealized gains, but are considered an indication of a possible impairment of the transferred asset. Accounting policies have been applied consistently for all subsidiaries.

2.2.1 CONSOLIDATED COMPANIES AND SCOPE OF CONSOLIDATION

MorphoSys AG has two wholly-owned subsidiaries (collectively referred to as the “MorphoSys Group” or the “Group”): Sloning BioTechnology GmbH and Poole Real Estate Ltd. (formerly Biogenesis UK Ltd.).

Upon entry into the commercial register on 13 August 2014 and based on the merger agreement dated 27 June 2014, MorphoSys IP GmbH, as the transferring legal entity, was merged into MorphoSys AG, as the acquiring legal entity, with the effective date of 1 January 2014.

MorphoSys USA, Inc., Charlotte, North Carolina, USA, was liquidated in financial year 2014. The remaining assets were distributed to MorphoSys AG as the sole shareholder.

On 31 December 2014, Poole Real Estate Ltd., Oxford, UK, was in the process of liquidation. The liquidation was resolved by the shareholders and entered into the commercial register of the United Kingdom (Companies House) on 20 March 2014.

The consolidated financial statements for the year ended 31 December 2014 were prepared and approved by the Management Board in its meeting on 17 February 2015 by a resolution of the Management Board. The Management Board is composed of Dr. Simon 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 allowed to amend the financial statements after their approval by the Management Board. The registered offices of the MorphoSys Group’s headquarters are located at Lena-Christ-Straße 48, 82152 Martinsried, Germany.

SCOPE OF CONSOLIDATION AS OF 31 DECEMBER 2014

Name and Corporate Seat of the Company	Local Currency	Exchange Rate on Dec 31, 2014 one Unit of Euro in Local Currency
COMPANY CONSOLIDATED (APART FROM PARENT COMPANY)		
Poole Real Estate Ltd., Oxford, UK	£	0.78266
Sloning BioTechnology GmbH, Martinsried, Germany	€	–

2.2.2 CONSOLIDATION METHODS

The following Group subsidiaries are included in the scope of consolidation as shown in the following table.

Company	Established in/ Purchase of Shares	Included in Basis of Consolidation since
Poole Real Estate Ltd.	January 2005	01/11/2005
Sloning BioTechnology GmbH	October 2010	10/07/2010

These subsidiaries are fully consolidated because they are wholly owned. MorphoSys controls these subsidiaries because it possesses full power over the investees. Additionally, MorphoSys has a risk exposure or rights to variable returns from its involvement with the investees. MorphoSys also has unlimited capacity to exert power over the investee to affect the amount of the returns from the investees.

There are no entities consolidated as joint ventures by using the equity method as defined by IFRS 11 “Joint Arrangements”. There are also no entities upon which the Group exercises a controlling influence as defined by IAS 28 “Investments in Associates and Joint Ventures”. Interests in such entities would be measured at fair value or at historic cost in accordance with the regulations of IAS 39.

Assets and liabilities of domestic and international entities which are fully consolidated are recognized using Group-wide uniform accounting and valuation methods. The consolidation methods applied have not changed compared to the previous year.

In the consolidated financial statements, receivables and liabilities, as well as expenses and income among consolidated entities, are eliminated.

2.2.3 BASIS OF FOREIGN CURRENCY TRANSLATION

IAS 21 “The Effects of Changes in Foreign Exchange Rates” governs accounting for transactions and balances denominated in foreign currencies. Transactions denominated in foreign currencies are translated at the exchange rates prevailing on the date of the transaction. Any resulting translation differences are recognized in profit and loss. On the reporting date, assets and liabilities are translated at the closing rate and income and expenses are translated at the average exchange rate for the financial year. Any foreign exchange rate differences derived from these translations are recognized in the consolidated statement of income. Any further foreign exchange rate differences at the Group level are recognized in the “Translation Reserve” (stockholders’ equity).

2.3 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

2.3.1 CREDIT RISK AND LIQUIDITY RISK

Financial instruments that could potentially subject the Group to a concentration of credit and liquidity risk, consist primarily of cash, cash equivalents, marketable securities, derivative financial instruments, and receivables. The Group’s cash and cash equivalents are principally denominated in euros. Marketable securities are placed in high-quality securities. Cash, cash equivalents, and marketable securities are held at several renowned financial institutions in Germany. The Group continuously monitors its positions with, and the credit rating of, the financial institutions which are counterparts to its financial instruments and does not expect any risk of non-performance.

One of the Group’s policies requires that all customers who wish to transact business on credit terms are subject to a creditworthiness assessment based on external ratings. Even so, the Group’s revenues and accounts receivable are still subject to credit risk as a result of customer concentration. The Group’s most significant single customer accounted for € 9.3 million of trade receivables as of 31 December 2014 (31 December 2013: € 8.2 million). This customer accounted for 62 % of the Group’s accounts receivable at the end of 2014. Three individual customers of the Group accounted for 68 %, 21 %, and 3 % of the total revenues from continuing operations in 2014. On 31 December 2013, one customer had accounted for 80 % of the Group’s accounts receivable and three customers individually had accounted for 53 %, 27 %, and 8 % of the Group’s revenues in 2013. Based on the Management Board’s assessment, no allowances were required in financial year 2014. As of 31 December 2013 and based on the Management Board’s assessment, allowances in the amount of € 238,900 were required in the Partnered Discovery segment. The carrying amounts of financial assets represent the maximum credit risk.

	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	200	17,215	5,000	0	(4,484)
	100	951,660	18,288,050	14,865,102	3,041,936	2,865,381

The credit risk of trade receivables by geographic region as of the reporting date was composed as follows.

in €	12/31/2014	12/31/2013
Europe and Asia	10,264,935	8,538,478
USA and Canada	4,725,597	1,731,844
Other	0	0
TOTAL	14,990,532	10,270,322

The term structure of trade receivables as of the reporting date was composed as follows.

in €; A/R are due in	12/31/2014 0 (30) days	12/31/2014 30 (60) days	12/31/2014 60 + days	12/31/2014 Total
Accounts Receivable	14,666,085	324,447	0	14,990,532
Write-off	0	0	0	0
Accounts Receivable, Net of Allowance for Impairment	14,666,085	324,447	0	14,990,532

in €; A/R are due in	12/31/2013 0 (30) days	12/31/2013 30 (60) days	12/31/2013 60 + days	12/31/2013 Total
Accounts Receivable	10,344,683	8,681	155,858	10,509,222
Write-off	(238,900)	0	0	(238,900)
Accounts Receivable, Net of Allowance for Impairment	10,105,783	8,681	155,858	10,270,322

As of 31 December 2014 and 31 December 2013, the Group was not exposed to a credit risk from derivative financial instruments. The maximum credit risk of financial guarantees (rent deposits) as of the reporting date amounted to € 0.6 million (31 December 2013: € 1.3 million).

The contractually agreed maturities and the corresponding cash outflows of accounts payable are within one year. The convertible bonds due to related parties have a term until 31 December 2015 and 31 March 2020 (maximum cash outflow: € 0.3 million).

2.3.2 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 results of operations or the value of the financial instruments held. The Group is exposed to currency and interest rate risks.

CURRENCY RISK

The consolidated financial statements are prepared in euros. While the expenses of MorphoSys are predominantly incurred in euros, a part of the revenues is dependent upon the current exchange rates of the US dollar. The Group examines the necessity of hedging foreign exchange rates 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 2014; in €	EUR	USD	GBP	Total
Cash and Cash Equivalents	32,130,970	107,191	0	32,238,161
Available-for-sale Financial Assets	106,039,373	0	0	106,039,373
Bonds, Available-for-sale	7,488,259	0	0	7,488,259
Accounts Receivable	14,887,707	102,825	0	14,990,532
Accounts Payable and Accrued Expenses	(17,898,438)	67,646	0	(17,830,792)
TOTAL	**142,647,871**	**277,662**	**0**	**142,925,533**

as of 31 December 2013; in €	EUR	USD	GBP	Total
Cash and Cash Equivalents	70,885,679	24,643	963,374	71,873,696
Available-for-sale Financial Assets	188,360,354	0	0	188,360,354
Available-for-sale Assets	11,102,087	0	0	11,102,087
Accounts Receivable	10,270,322	0	0	10,270,322
Accounts Payable and Accrued Expenses	(17,260,346)	60,316	10,009	(17,190,021)
TOTAL	**263,358,096**	**84,959**	**973,383**	**264,416,438**

Different foreign exchange rates and their impact on assets and liabilities were simulated in a detailed sensitivity analysis in order to determine the resulting effects on income. A 10 % increase of the euro against the US dollar as of 31 December 2014 would have slightly decreased the Group's income (assuming stable interest rates). A 10 % decline of the euro against the US dollar would have slightly increased the Group's income. Foreign currency issues in the British pound did not exist as of 31 December 2014.

A 10 % increase of the euro against the US dollar as of 31 December 2013 would have slightly increased the Group's profit from continuing operations (assuming stable interest rates). A 10 % decline of the euro against the US dollar would have slightly decreased the Group's profit from continuing operations. A 10 % increase of the euro against the British pound as of 31 December 2013 would have reduced the Group's profit from continuing operations by € 0.1 million (assuming stable interest rates). A 10 % decline of the euro against the British pound would have increased the Group's profit from continuing operations by € 0.1 million.

If the foreign exchange rates for the US dollar against the euro remained unchanged at the average rate of 2013, the Group's revenues from continuing operations would have been € 0.1 million higher (2013: Group revenues from continuing operations would have been € 0.1 million higher).

INTEREST RATE RISK

The Group's risk exposure to changes in interest rates mainly concerns available-for-sale securities/investments. Changes in the general level of interest rates may lead to an increase or decrease in the fair value of these securities/investments. The Group's investment focus places the safety of an investment ahead of its return. The interest rate risk is mitigated due to the fact that all securities/investments can be liquidated within a maximum of two years. The Group is currently not subject to significant interest rate risks from liabilities recorded in the balance sheet.

2.3.3 FAIR VALUE HIERARCHY AND MEASUREMENT PROCEDURES

The IFRS 13 "Fair Value Measurement" guidelines must always be applied when, based on another IAS/IFRS guideline, measurement at fair value is required or permitted or disclosures regarding measurement at fair value are required. The fair value is the price that would be achieved on the valuation date upon the sale of an asset in an arm's length transaction between independent market participants or the price to be paid for the transfer of a liability (disposal or exit price). Accordingly, the fair value of a liability reflects the default risk (i.e., own credit risk). Measurement at fair value requires that the sale of the asset or the transfer of the liability takes place on the principal market or, if such a principal market is not available, on the most advantageous market. The principal market is the market with the highest volume and the highest level of activity to which the company has access.

Fair value is measured by using the same assumptions and taking into account the same characteristics of the asset or liability as would an independent market participant. Fair value is a market-based and not an entity-specific measurement. For non-financial assets, fair value is determined based on the highest and best use of the asset as determined by a market participant. For financial instruments, the use of bid prices for assets and ask prices for liabilities is permitted, but not required, if those prices most suitably reflect fair value in the respective circumstances. For simplification purposes, the use of mean rates is also permitted. Thus, IFRS 13 not only applies to financial assets, but also to all assets and liabilities.

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 to which the Company has access.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., 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 amounts of financial assets and liabilities, such as cash and cash equivalents, marketable securities, accounts receivable, and accounts payable approximate their fair value due to their short-term maturities.

HIERARCHY LEVEL 1

The fair value of financial instruments, which are traded in active markets, is based upon quoted market prices as of the reporting date. A market is considered an active market if quoted prices are available from an exchange, dealer, broker, industry group, pricing service, or a regulatory body that is easily and regularly accessible and these prices reflect current and regularly occurring market transactions at arm's length conditions. For assets held by the Group, the appropriate quoted market price is the buyer's bid price. These instruments are included in Level 1 (see also item 5.2 of these Notes*).

*CROSS-REFERENCE TO PAGE 122

HIERARCHY LEVEL 2

The fair value of financial instruments, which are not traded in active markets, can be determined using measurement procedures. In this case, fair value is estimated on the basis of the results of a valuation method that makes maximum use of market data, and relies as little as possible on entity-specific inputs. If all inputs required for measuring fair value are observable, the instrument is allocated to Level 2. If important inputs are not based on observable market data, the instrument is allocated to Level 3.

None of the financial assets and liabilities were allocated to hierarchy levels 2 or 3.

The fair value of licenses payable is determined by the effective interest method. Convertible bonds are recorded at ascribed values, which approximate the amount becoming due upon settlement.

There were no transfers from one fair value hierarchy level to another in 2014 and 2013.

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

31 December 2014 (in 000's €)	Note	Loans and Receivables	Available-for-sale	Other Financial Liabilities	Total Carrying Amount	Fair value
Cash and Cash Equivalents	5.1	32,238	0	0	32,238	32,238
Accounts Receivable	5.3	14,991	0	0	14,991	*
Other Receivables	5.4	157,093	0	0	157,093	157,093
Other Receivables, Net of Current Portion	5.4	50,030	0	0	50,030	50,030
Shares Available-for-sale, Net of Current Portion	5.8	0	1,727	0	1,727	*
Available-for-sale Financial Assets	5.2	0	106,039	0	106,039	106,039
Bonds, Available-for-sale	5.2	0	7,488	0	7,488	7,488
TOTAL		**254,352**	**115,254**	**0**	**369,606**	**352,889**
Convertible Bonds - Liability Component	7.1	0	0	(252)	(252)	(252)
Accounts Payable and Accrued Expenses	6.1	0	0	(17,831)	(17,831)	(17,831)
TOTAL		**0**	**0**	**(18,083)**	**(18,083)**	**(18,083)**

* Declaration waived in line with IFRS 7.29 (a)

31 December 2013 (in 000's €)	Note	Loans and Receivables	Available-for-sale	Other Financial Liabilities	Total Carrying Amount	Fair value
Cash and Cash Equivalents	5.1	71,874	0	0	71,874	71,874
Accounts Receivable	5.3	10,270	0	0	10,270	*
Other Receivables	5.4	119,458	0	0	119,458	119,458
Shares Available-for-sale, Net of Current Portion	5.8	0	1,727	0	1,727	*
Available-for-sale Financial Assets	5.2	0	188,360	0	188,360	188,360
Bonds, Available-for-sale	5.2	0	11,102	0	11,102	11,102
TOTAL		**201,602**	**201,189**	**0**	**402,791**	**390,794**
Convertible Bonds - Liability Component	7.1	0	0	(299)	(299)	(299)
Accounts Payable and Accrued Expenses	6.1	0	0	(17,190)	(17,190)	(17,190)
TOTAL		**0**	**0**	**(17,489)**	**(17,489)**	**(17,489)**

* Declaration waived in line with IFRS 7.29 (a)

2.4 IMPAIRMENTS

2.4.1 NON-DERIVATIVE FINANCIAL INSTRUMENTS

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

Objective evidence that financial instruments (including equity securities) are impaired can include the default or delinquency of a debtor, indications that a debtor or issuer will enter insolvency, adverse changes in the payment status of borrowers or issuers in the Group, and 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 acquisition cost is objective evidence of impairment.

2.4.2 RECEIVABLES

The Group considers evidence of impairment of receivables both at an individual and collective level. All individually significant receivables are tested specifically for impairment. All individually significant receivables found not to be specifically impaired are then collectively tested for any impairment that occurred but was not yet identified. Individually non-significant receivables are collectively tested for impairment by grouping together receivables with similar risk characteristics.

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

For a financial instrument measured at amortized cost less impairment, impairment is calculated as the difference between its carrying amount and the present value of the estimated future cash flows. Cash flows are 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 to decrease, the impairment is reversed through profit and loss.

2.4.3 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Impairment of available-for-sale financial assets is recognized by reclassifying the accumulated losses from the revaluation reserve in equity to profit and loss. The accumulated loss that is to be reclassified from equity to profit and loss is the difference between the acquisition cost less amortization and any principal repayment, and the current fair value less any impairment recognized previously in profit or loss. If, in a subsequent period, the fair value of an impaired available-for-sale financial asset increases and the increase can be related objectively to an event occurring after the impairment 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 increase in the fair value of an available-for-sale financial instrument is recognized under equity in other comprehensive income.

2.4.4 NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets, inventories and deferred tax assets are reviewed at each reporting date for any indication of impairment. The asset's recoverable amount is estimated if such indication exists. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at the same time each year. Impairment is recognized if the carrying amount of an asset or the 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 of disposal. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments with regard to the time value of money and the risks specific to the asset or CGU. For the purposes of impairment testing, assets that cannot be tested individually are grouped into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash flows of other assets or CGUs. For the purposes of goodwill impairment testing, a ceiling test for the operating segment must be carried out. 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 flows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and are tested for impairment as part of the impairment testing of the CGU, to which the corporate asset was allocated.

Impairment losses are recognized in profit and loss. Goodwill impairment is not reversible. For all other assets, impairment recognized in prior periods is assessed at each reporting date for any indications that the losses decreased or no longer exist. Impairment is reversed when there has been a change in the estimates used to determine the recoverable amount. Impairment loss can only be reversed 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 had been recognized.

2.5 ADDITIONAL INFORMATION

2.5.1 KEY ESTIMATES AND ASSUMPTIONS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting-related estimates will, by definition, seldomly correspond to the actual results. The estimates and assumptions that bear a significant risk of causing material adjustments to the carrying amounts of assets and liabilities in the next financial year are addressed below.

GOODWILL

On an annual basis, the Group tests whether goodwill is subject to impairment in accordance with the accounting policies discussed in item 2.4.4*. The recoverable amounts of cash generating units have been determined on the basis of value-in-use calculations. These calculations require the use of estimates (see also item 5.7.5 of the Notes*).

*CROSS-REFERENCE TO PAGE 109 AND PAGE 126

A sensitivity analysis was performed for the technology development activities within the Partnered Discovery segment, which form the cash-generating unit and also comprise the goodwill from the acquisition of Sloning BioTechnology GmbH. A 30 % increase in the weighted average cost of capital (WACC) or a 30 % decrease in future cash flows would not result in impairment of the cash-generating unit.

INCOME TAXES

The Group is subject to income taxes in numerous tax jurisdictions. Key assumptions are required in determining the Group's provision for income taxes. There are many transactions and calculations which are uncertain with respect to the calculation of the ultimate tax burden.

As of 31 December 2014, deferred tax assets on tax loss carryforwards in the amount of € 1.8 million were recognized as a result of positive business expectations at Sloning BioTechnology GmbH for financial years 2015 to 2019. In previous years, no deferred tax assets were reported for corporate tax loss carryforwards in the amount of € 2.4 million and trade tax loss carryforwards in the amount of € 2.3 million as the usability of these tax loss carry forwards was deemed uncertain with regard to German tax legislation (Sec. 8 Para. 4, of the German Corporation Tax Act (KStG former version) and Sec. 8c KStG). In the event that a portion of the total tax loss carryforwards had not been utilizable due to a tax audit, the Group would be required to pay higher income taxes for future periods at an earlier point in time since the tax loss carryforwards would be consumed sooner than expected. The definitive nature of the tax loss carryforwards in question was confirmed in the context of a tax audit completed by the time the consolidated financial statements had been prepared. Therefore, deferred tax assets were recognized in the full amount of existing tax loss carryforwards.

As of 31 December 2014, deferred tax assets on tax loss carryforwards in the amount of € 1.2 million were recognized as a result of positive business expectations at MorphoSys AG for financial years 2015 to 2019.

2.5.2 CAPITAL MANAGEMENT

With regard to capital management, the Management Board's policy is to preserve a strong and sustainable capital base in order to maintain the confidence of investors, business partners, and the market and to support future business development. As of 31 December 2014, the equity ratio amounted to 81.8 % (31 December 2013: 78.6 %; see also the following overview). Presently, the Group is not carrying financial debt.

Pursuant to the respective incentive plans resolved by the Annual General Meeting, the Management Board and employees may participate in the Group's performance through long-term performance-related remuneration components consisting of convertible bonds. MorphoSys also established long-term incentive programs (LTI plan) in the years 2011, 2012, 2013, and 2014. These programs are based on the performance-related issuance of shares, so called "performance shares", which are granted when certain predefined success criteria have been achieved (for more information, please refer to item 7.3 of the Notes*). There were no changes in the Group's approach to capital management in the course of the year.

*CROSS-REFERENCE TO PAGE 130

in 000' €	12/31/2014	12/31/2013
Stockholders' Equity	348,803	352,145
In % of Total Capital	81.8 %	78.6 %
Debt	77,675	95,511
In % of Total Capital	18.2 %	21.4 %
TOTAL CAPITAL	**426,478**	**447,657**

2.6 USE OF INTEREST RATES FOR VALUATION

The Group uses interest rates to measure fair values. When calculating stock-based compensation, MorphoSys uses the interest rates of German government bonds with maturities of five or seven years on the date they were granted to determine the fair value of convertible bonds.

2.7 ACCOUNTING POLICIES APPLIED TO LINE ITEMS OF THE INCOME STATEMENT

2.7.1 REVENUES AND REVENUE RECOGNITION

The Group's revenues include license fees and milestone payments, service fees and revenues from the sale of goods. Pursuant to IAS 18.9, revenues are measured at the fair value of the consideration received or receivable. In accordance with IAS 18.20b, revenues are only recognized to the extent that it is sufficiently probable that the Company will receive the economic benefits associated with the transaction.

LICENSE FEES AND MILESTONE PAYMENTS

Revenues related to non-refundable fees for providing access to technologies, fees for the use of technologies, and license fees are recognized on a straight line basis over the period of the agreement unless a more appropriate method of revenue recognition is available. The period of the agreement usually corresponds to the contractually agreed term of the research project, or in the case of contracts without an agreed project term, it correlates to the expected term of the collaboration. If all IAS 18.14 criteria are met, revenue is recognized immediately and in full. Revenues from milestone payments are recognized upon achievement of certain contractual criteria.

SERVICE FEES

Service fees in the context of research and development collaborations are recognized in the period in which the services are provided.

If it is probable that discounts will be granted and that their amount can be reliably determined, then the discount is recognized as a reduction in revenue at the time of the revenue recognition. The timing of the transfer of risks and rewards varies depending upon the individual terms of the sales contract. In accordance with IAS 18.21 and 18.25, revenue from multiple-element transactions is recognized by allocating the total consideration among the separately identifiable components based on their respective fair values and by applying IAS 18.20. The applicable revenue recognition criteria are assessed separately for each component.

Deferred revenues consist of payments received from customers which may not yet be recognized as revenue since the related services specified in the contract have not yet been rendered.

2.7.2 OPERATING EXPENSES

PERSONNEL EXPENSES RESULTING FROM STOCK OPTIONS

The Group applies the provisions of IFRS 2 "Share-based Payment". IFRS 2 requires the Group to recognize share-based payments at their fair value on the valuation date as a compensation expense for the period that the beneficiary renders the services related to the granting of the share-based payments.

RESEARCH AND DEVELOPMENT

Research costs are expensed in the period in which they occurred. Generally, development costs are expensed as incurred in accordance with IAS 38.5 and IAS 38.11 to 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 Group can provide evidence pursuant to IAS 38.57.

GENERAL AND ADMINISTRATIVE

This line item includes personnel expenses, consumables, operating costs, amortization of intangible assets, expenses for external services, infrastructure costs, and depreciation.

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 incentive agreements in the context of operating leases are recognized as an integral part of the net consideration agreed for the use of the leased asset. The total amount of income resulting from incentives is recognized as a reduction in lease expenses on a straight-line basis over the term of the rental.

All lease agreements in the Group are to be classified exclusively as operating leases. The Group did not engage in any finance lease arrangements in which the Group, as lessee, capitalized the assets at the start of the lease with the lower of fair value or the net present value of the minimum-lease payments and then depreciated the assets on a straight-line basis over its economic life.

2.7.3 OTHER INCOME

GOVERNMENT GRANTS

Grants received from governmental agencies for the support of specific research and development projects are recognized in the income statement in the separate line item "other income" to the extent that the related expenses have already occurred. Under the terms of the grants, governmental agencies generally have the right to audit the use of the funds granted to the Group.

Basically, government grants are cost subsidies for which recognition through profit and loss is limited to the corresponding costs. In financial year 2014, there were no payments granted that were required to be classified as investment subsidies.

2.7.4 OTHER EXPENSES

The line item "other expenses" comprises mainly currency losses from the operating business.

2.7.5 FINANCE INCOME

Interest income is recognized in the income statement as it occurs and takes into account the effective rate of interest for the asset.

2.7.6 FINANCE EXPENSES

Borrowing costs are expensed in the period they occur and are included in finance expenses in the income statement.

2.7.7 INCOME TAX EXPENSES/INCOME

Income taxes comprise current and deferred taxes. Income taxes are recognized in the income statement unless the income taxes relate to items recognized directly in equity or other comprehensive income.

Current taxes are the expected taxes payable on the taxable income for the year, using the prevailing tax rates or those adopted on the reporting date, as well as any adjustments to taxes payable with respect to previous years.

The calculation of deferred taxes is based on the balance sheet liability method and results in temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred taxes are calculated depending on the realization method expected for the carrying amount of assets and the repayment of liabilities. The calculation is also based on the prevailing tax rates or those adopted on the reporting 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 assets and liabilities on a net basis, or when their tax assets and liabilities are to be realized simultaneously.

Deferred tax assets are only recognized to the extent that it is likely that future taxable income 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.

2.7.8 EARNINGS/LOSS PER SHARE

The Group reports basic and diluted earnings per share. Basic earnings per share is computed by dividing the net profit or loss attributable to parent company shareholders by the weighted average number of ordinary shares outstanding during the reporting period. Diluted earnings per share is calculated in the same manner however, the net profit or loss attributable to parent company shareholders and the weighted average number of ordinary shares outstanding are adjusted for any dilutive effects resulting from convertible bonds or stock options granted to the Management Board and employees.

2.8 ACCOUNTING POLICIES APPLIED TO THE ASSETS OF THE BALANCE SHEET

2.8.1 CASH AND CASH EQUIVALENTS

LIQUID ASSETS

The Group considers all cash at banks 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 and cash equivalents in deposits at several major financial institutions: Commerzbank, HypoVereinsbank, Bayern LB, Sparkasse, LBBW, Svenska Handelsbanken, BNP Paribas, and Deutsche Bank.

The Group recognizes cash and cash equivalents at nominal value. Securities are recognized and measured at fair value. Any fluctuations in the fair value of securities primarily composed of money market funds are directly recognized in equity. Permanent impairment, however, is recognized in profit and loss.

NON-DERIVATIVE FINANCIAL INSTRUMENTS

Depending upon their classification, existing financial instruments are either measured at amortized cost (category “loans and receivables”) or at fair value (category “available-for-sale financial assets”). The amortized cost of current receivables and current liabilities generally corresponds to either the nominal amount or the repayment amount.

All non-derivative financial instruments are initially recognized at fair value, which is defined as the fair value of the consideration provided net of transaction costs.

The Group applies IAS 39 for financial instruments in the form of debt and equity instruments. At the time of purchase, the Management Board determines the classification of the financial instrument and reviews the classification at each reporting date. The classification depends on the purpose for which the financial instruments were acquired. On 31 December 2014 and on 31 December 2013, some financial instruments held by the Group were classified as “available-for-sale”. These financial instruments are recognized or derecognized as of the date on which the Group commits to the purchase or sale of the financial instruments. Following their initial recognition, available-for-sale financial assets are measured at fair value and any resulting gain or loss is reported directly in the revaluation reserve within equity until the financial instruments are sold, redeemed, or otherwise disposed of, or considered impaired, at which time the accumulated loss is reported in profit and loss.

Guarantees granted for rent deposits, which have been collateralized with available-for-sale securities and obligations from convertible bonds issued to employees are recorded under other assets as restricted cash, since they are not available for use in the Group’s operations.

In November 2012, MorphoSys acquired an interest in Lanthio Pharma B.V., a privately held company headquartered in Groningen, the Netherlands. A contribution was also made to this company in September 2013. On 31 December 2014, the Group’s share in Lanthio Pharma B.V.’s share capital continued to amount to 19.98 %. No significant influence exists as defined by IAS 28. The investment is measured at amortized cost since it constitutes an equity instrument for which no quoted price is observable in an active market and whose fair value cannot reliably be assessed. The financial instrument is reported in the category “available-for-sale”.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge its exposure to foreign exchange rate risk. In accordance with IAS 39.9, all derivative financial instruments are held exclusively for trading and are initially recognized at fair value. Subsequent to their initial recognition, derivative financial instruments are measured at fair value, which is defined as their quoted market price on the reporting date. Any resulting gain or loss from derivatives is recognized in profit and loss because the Group currently does not apply hedge accounting. According to the Group’s foreign currency hedging policy, the Group only hedges highly probable future cash flows and clearly identifiable receivables that can be collected within a twentyfour-month period.

The use of derivative financial instruments is subject to a Group policy representing a guideline set out in writing for dealing with derivative financial instruments and approved by the Management Board. Any changes in the fair value of derivative financial instruments are documented.

2.8.2 ACCOUNTS RECEIVABLE, INCOME TAX RECEIVABLES, AND OTHER RECEIVABLES

Accounts receivable are measured at amortized cost less any impairment, for example, allowances for doubtful accounts (see items 2.4.2 and 5.3 of the Notes*).

*CROSS-REFERENCE TO PAGE 109 AND PAGE 123

Income tax receivables mainly include receivables due from tax authorities in the context of capital gain taxes withheld.

Other non-derivative financial instruments are measured at amortized cost using the effective interest method less any impairment. In 2014, investments were carried out in various financial assets which were allocated to the category “loans and receivables” pursuant to IAS 39 “Financial Instruments”.

2.8.3 INVENTORIES

Inventories are measured at the lower value of production or acquisition costs and net realizable value pursuant to the FIFO method. The acquisition costs comprise all costs of purchase and all costs incurred in bringing the inventories into operating condition, while taking into account reductions in the purchase price, such as bonuses and discounts. Net realizable value is the estimated selling price less the estimated expenses necessary for completion and sale. Inventories may be classified as raw materials and supplies.

2.8.4 PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses include expenses that resulted in an outflow of cash prior to the reporting date, but which will only be recognized as expenses in the subsequent financial year. Such expenses mainly relate to maintenance contracts, sublicenses, and prepayments for external laboratory services not yet performed. Other current assets primarily comprise receivables from the tax authorities as a result of value-added taxes. This item is recognized at nominal value.

2.8.5 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment is recorded at historical cost less accumulated depreciation (see also item 5.6 of the Notes*) and any impairment (see item 2.4.4 of the Notes*). Historical cost includes expenditure directly related to the purchase at the time of the acquisition. Replacements, building alterations, and improvements are capitalized, while repair and maintenance expenses are charged to expenses as they are incurred. Property, plant, and equipment is depreciated over its useful life on a straight-line basis (see table below). Leasehold improvements are depreciated over the estimated useful lives of the assets on a straight-line basis.

*CROSS-REFERENCE TO PAGE 124 AND PAGE 109

Asset Class	Useful Life	Depreciation Rates
Computer Hardware	3 years	33 %
Low-value Laboratory and Office Equipment below € 150	Immediately	100 %
Low-value Laboratory and Office Equipment between € 150 and € 1,000	5 years	20 %
Permanent Improvements to Property/Buildings	10 years	10 %
Office Equipment	8 years	13 %
Laboratory Equipment	4 years	25 %

An asset’s residual value and useful life are reviewed at the end of each reporting period, and adjusted if appropriate.

Borrowing costs that can be directly attributed to the acquisition, construction, or production of a qualifying asset, are not included in the acquisition or production cost since the Group finances the entire operating business through the use of equity.

2.8.6 INTANGIBLE ASSETS

Purchased intangible assets are capitalized at acquisition cost and intangible assets are exclusively amortized over their useful lives on a straight-line basis. Internally generated intangible assets are recognized to the extent that the recognition criteria set out in IAS 38 are met.

Development costs are capitalized as intangible assets provided that the capitalization criteria described in IAS 38 have been met, namely, clear specification of the product or procedure, technical feasibility, intention of completion, use, commercialization, coverage of development costs through future free cash flows, reliable determination of these free cash flows, availability of sufficient resources for completion of development and sale. Amortization is recorded in research and development expenses.

Expenses to be classified as research expenses are allocated to research and development expenses as defined by IAS 38.

Subsequent expenditures for capitalized intangible assets are only capitalized when they substantially increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are expensed as incurred.

PATENTS

Patents obtained by the Group are recorded at acquisition cost, less accumulated amortization (see below), and any impairment (see item 2.4.4 of the Notes*). 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 identified in the purchase price allocation in the acquisition of Sloning BioTechnology GmbH is recorded at fair value at the time of acquisition, less accumulated amortization (useful life of ten years).

*CROSS-REFERENCE TO PAGE 109

LICENSE RIGHTS

The Group has acquired license rights from third parties by making upfront license payments, paying annual fees to maintain the license, and paying fees for sub-licenses. The Group amortizes upfront license payments on a straight-line basis over the estimated useful life of the acquired license (eight to ten years). The amortization period and the amortization method are reviewed at the end of each financial year pursuant to IAS 38.104. Annual fees to maintain the license are amortized over the term of each annual agreement. Sub-license fees are amortized on a straight-line basis over the term of the contract or the estimated useful life of the collaboration for those contracts without a stipulated term.

IN-LICENSED REASEARCH PROGRAMS

This line item contains capitalized upfront payments from the in-licensing of two compounds for the Proprietary Development segment as well as a milestone payment for one of these compounds which was paid at a later time. The assets are recorded at acquisition cost and are not yet available for use and therefore not subject to amortization. The assets were tested for impairment on the reporting date as required by IAS 36.

SOFTWARE

Software is recorded at acquisition cost less accumulated amortization (see below) and any impairment (see item 2.4.4 of the Notes*). Amortization is recognized in profit and loss on a straight-line basis over the estimated useful life of three to five years. Software is amortized from the date the software is operational.

*CROSS-REFERENCE TO PAGE 109

GOODWILL

The goodwill recognized is attributable to expected synergies and to the skills of the acquired workforce. Goodwill is tested annually for impairment as required by IAS 36 (see also item 5.7.5 of the Notes*).

*CROSS-REFERENCE TO PAGE 126

Intangible Asset Class	Useful Life	Amortisation Rates
Patents	10 years	10 %
License Rights	8 (10) years	13 % (10) %
Inlicensed Research Programs	Not yet amortized	–
Software	3 (5) years	33 % (20) %
Know How and Customer List	6 (10) years	17 % (10) %
Goodwill	Impairment	–

2.8.7 SHARES AVAILABLE-FOR-SALE

The interest in Dutch Lanthio Pharma B.V. is recognized at amortized cost. The financial instrument is recorded in the category “available-for-sale”.

2.8.8 PREPAID EXPENSES AND OTHER NON-CURRENT ASSETS

The non-current portion of expenses occurring prior to the reporting date but to be recognized in subsequent financial years is also recorded under prepaid expenses. This line item contains maintenance contracts and sublicenses.

This line item also includes other non-current assets which are recognized at fair value. Other non-current assets comprise mainly restricted cash, such as rent deposits.

2.9 ACCOUNTING POLICIES APPLIED TO EQUITY AND LIABILITY ITEMS OF THE BALANCE SHEET

2.9.1 ACCOUNTS PAYABLE, OTHER LIABILITIES, AND PROVISIONS

Trade payables and other liabilities are recognized at amortized cost. Liabilities with a term above one year are discounted to their net present value. Liabilities of uncertain timing or amount are recorded as provisions.

IAS 37 requires the recognition of provisions for obligations to third parties arising from past events. Furthermore, provisions are only recognized for legal or factual obligations to third parties if the occurrence of the event is more likely than not. Provisions are recognized at the amount required to settle the respective obligation and discounted to the reporting date if the interest effect is material. The amount required to meet the obligation also includes expected price and cost increases. The interest portion of the added provisions is recorded in the finance result. The measurement of provisions is based on past experience and considers the circumstances in existence on the reporting date.

2.9.2 TAX LIABILITIES

Tax liabilities are recognized and measured at their nominal value. Tax liabilities contain obligations from current taxes, excluding deferred taxes. Accruals for trade taxes, corporate taxes, and similar taxes on income are determined based on the taxable income of the consolidated companies less any prepayments made.

2.9.3 CURRENT PORTION OF DEFERRED REVENUE

Upfront payments from customers for services to be rendered by the Group are recognized as deferred revenue in accordance with IAS 18.13 and measured at the lower of fair value or nominal value. The corresponding rendering of services and revenue recognition occurs within the twelve month period following the reporting date.

2.9.4 DEFERRED REVENUE AND PROVISIONS, NET OF CURRENT PORTION

This line item includes the non-current portion of deferred upfront payments from customers in accordance with IAS 18.13 which are measured at the lower of fair value or nominal value. Due to its low level of materiality, this line item is not discounted to its present value in the financial year despite its long-term maturity.

2.9.5 CONVERTIBLE BONDS DUE TO RELATED PARTIES

The Group issued convertible bonds to the Management Board and to employees of the Group. In accordance with IAS 32.28, the equity component of a convertible bond must be recorded separately under additional paid-in capital. The equity component is determined by deducting the separately determined amount of the liability component from the fair value of the convertible bond. Any impact arising from the equity component is recognized in profit and loss in personnel expenses resulting from share-based payments, whereas any impact on profit and loss arising from the liability component is recognized as interest expense. The Group applies the provisions of IFRS 2 “Share-based Payments” for all convertible bonds granted to the Management Board and the Group’s employees.

2.9.6 DEFERRED TAX LIABILITIES

The recognition and measurement of deferred taxes are based on the provisions of IAS 12. Deferred tax assets and liabilities are calculated using the liability method, which is common practice internationally. Under this method, the taxes expected to be paid or recovered in subsequent financial years are based on the applicable tax rate at the time of recognition.

Deferred tax assets and liabilities are recorded separately in the balance sheet. Deferred tax liabilities take into account the future tax effects of temporary differences between the valuation of assets and liabilities in the balance sheet and tax loss carryforwards.

Deferred tax assets are offset against deferred tax liabilities if the taxes are levied by the same taxation authority and have matching terms. Pursuant to IAS 12, deferred tax assets and liabilities may not be discounted.

2.9.7 STOCKHOLDERS' EQUITY

COMMON STOCK

Ordinary shares are classified as stockholders' equity. Incremental costs directly attributable to the issuance of ordinary shares and stock options are recognized as a deduction from equity, net of any tax effects. When common stock that was recorded as stockholders' equity is repurchased, the amount of consideration paid, including directly attributable costs, is recognized as a deduction from stockholders' equity net of taxes and is classified as treasury shares. When treasury shares are subsequently sold or reissued, the proceeds are recognized as an increase in stockholders' equity, and the profit or loss resulting from the transaction is offset against accumulated income.

TREASURY STOCK

Repurchases of own shares at the price quoted on an exchange or at market value are recorded in this line item.

ADDITIONAL PAID-IN CAPITAL

Additional paid-in capital mainly includes personnel expenses resulting from the grant of stock options, convertible bonds, and performance shares, and the proceeds from newly created shares in excess of their nominal value.

REVALUATION RESERVE

The revaluation reserve mainly consists of unrealized gains and losses on available-for-sale securities that are measured directly in equity until they are sold.

TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences which are not recognized in profit and loss.

ACCUMULATED INCOME

The "accumulated income" line item comprises the Group's accumulated consolidated net profits/losses. A separate measurement of this item is not conducted.

3 Segment Reporting

MorphoSys Group applies IFRS 8 "Segment Reporting". An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses and 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 with respect to the Group's operating segments. The operating segments are based on the Group's management and internal reporting structures. The segment results and segment assets include items that can be either directly attributed to the individual segment or can be allocated to the segments on a reasonable basis. Intercompany pricing is determined on an arm's length basis.

The Management Board determines the economic success of the segments based on key figures chosen so that all income and expenses are included. The operating earnings before interest and taxes, or EBIT, is the key benchmark for measuring and evaluating the operating results. The EBIT margin reflects the ratio of EBIT to revenues.

The Group consists of the following operating segments.

3.1 PROPRIETARY DEVELOPMENT

This segment comprises all of the activities relating to the proprietary development of therapeutic antibodies. Presently, the activities of this segment comprise the clinical development of the proprietary program MOR208, the co-development of MOR202 with Celgene, and the completion of the clinical development of the MOR103 program under the cooperation with GSK. MorphoSys is also pursuing further programs at an early stage in proprietary development or as co-development.

3.2 PARTNERED DISCOVERY

MorphoSys possesses one of the leading technologies for the generation of therapeutics based on human antibodies. The Group markets this technology commercially via partnerships with numerous pharmaceutical and biotechnology companies. This segment encompasses all operational activities relating to these commercial agreements, as well as the majority of the technological development.

3.3 ABD SEROTEC

Upon sale of substantially all of the AbD Serotec business on 10 January 2013 to Bio-Rad, the quantitative and qualitative criteria of IFRS 8.12 f. were no longer fulfilled so that this segment was no longer a reportable segment under IFRS 8.11. Therefore, the results generated by the AbD Serotec segment until 10 January 2013, which were immaterial, were reclassified to "Unallocated".

3.4 CROSS-SEGMENT DISCLOSURES

With cross-segment disclosures, segment revenues are based on the customers' geographical locations. The information on segment assets is based on the respective location of the assets.

For the Twelve-month Period Ended 31 December	Proprietary Development		Partnered Discovery	
(in 000's €)	2014	2013	2014	2013
External Revenues	15,041	26,909	48,937	51,044
Intersegment Revenues	0	0	0	0
REVENUES, TOTAL	**15,041**	**26,909**	**48,937**	**51,044**
Cost of Goods Sold	0	0	0	0
Other Operating Expenses	33,535	27,500	23,041	25,537
Inter-segment Costs	0	0	0	0
TOTAL OPERATING EXPENSES	**33,535**	**27,500**	**23,041**	**25,537**
Other Income	105	129	22	80
Other Expenses	0	0	0	227
SEGMENT EBIT	**(18,389)**	**(462)**	**25,918**	**25,360**
Finance Income	0	0	0	0
Finance Expenses	0	0	0	0
Other Income from Sale of Assets and Liabilities of Disposal Group Classified as Held for Sale	0	0	0	0
PROFIT BEFORE TAXES	**(18,389)**	**(462)**	**25,918**	**25,360**
Income Tax (Expenses)/Income	0	0	0	0
Income Tax Expenses in connection with the Sale of Assets and Liabilities of the Disposal Group Classified as Held for Sale	0	0	0	0
NET PROFIT/(LOSS)	**(18,389)**	**(462)**	**25,918**	**25,360**
Current Assets	6,200	2,783	25,887	24,036
Non-current Assets	30,079	15,601	17,347	19,807
TOTAL SEGMENT ASSETS	**36,279**	**18,384**	**43,234**	**43,843**
Current Liabilities	25,343	23,436	2,558	3,681
Non-current Liabilities	40,414	53,885	4,263	5,283
Stockholders' Equity	0	0	0	0
TOTAL SEGMENT LIABILITIES AND EQUITY	**65,757**	**77,321**	**6,821**	**8,964**
Capital Expenditure	17,335	3,150	2,512	1,883
Depreciation and Amortization	1,149	1,010	2,621	3,291

The segment result is defined as segment revenues less the segment's operating expenses. In financial year 2014, impairments totaling € 4.1 million were recognized. Of this amount, € 2.1 million was attributable to the Proprietary Development segment and € 2.0 million to the Partnered Discovery segment (2013: impairment of € 1.0 million in the Proprietary Development segment and of € 0.6 million in the Partnered Discovery segment).

The Group's key customers are assigned to the Partnered Discovery segment as well as the Proprietary Development segment. As of 31 December 2014, the most important single customer accounted for a carrying amount of € 9.3 million of total accounts receivable (31 December 2013: € 8.2 million). Three individual customers of the Group who are predominantly assigned to the Partnered Discovery segment, contributed € 43.2 million, € 13.5 million, and € 2.0 million to total revenues in 2014. In 2013, three customers mainly assigned to the Partnered Discovery segment accounted for € 41.6 million, € 21.3 million, and € 6.0 million of the Group's total revenues.

In 2014, "unallocated" other operating expenses primarily included personnel expenses (2014: € 8.7 million; 2013: € 9.2 million), costs for external services (2014: € 2.5 million; 2013: € 3.0 million), and costs for infrastructure (2014: € 0.8 million; 2013: € 1.2 million). Current assets categorized as "unallocated" mainly composed of cash and cash equivalents, securities and bonds available-for-sale, as well as other receivables (31 December 2014: € 287.3 million; 31 December 2013: € 377.5 million). Non-current assets categorized as "unallocated" mainly comprised long-term investments of financial assets of € 50.0 million (31 December 2013: € 0.0 million). Current liabilities categorized as "unallocated" included mainly accounts payable and accrued expenses (31 December 2014: € 4.0 million; 31 December 2013: € 5.4 million) as well as provisions (31 December 2014: € 0.8 million; 31 December 2013: € 2.9 million).

Unallocated		Elimination		Group		thereof from Discontinued Operations		thereof from Continuing Operations	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
0	610	0	0	63,978	78,563	0	603	63,978	77,960
0	0	0	0	0	0	0	0	0	0
0	**610**	**0**	**0**	**63,978**	**78,563**	**0**	**603**	**63,978**	**77,960**
0	158	0	0	0	158	0	158	0	0
13,533	16,992	0	0	70,109	70,029	0	2,107	70,109	67,922
0	0	0	0	0	0	0	0	0	0
13,533	**17,150**	**0**	**0**	**70,109**	**70,187**	**0**	**2,265**	**70,109**	**67,922**
655	600	0	0	782	809	0	12	782	797
550	686	0	0	550	913	0	2	550	911
(13,428)	**(16,626)**	**0**	**0**	**(5,899)**	**8,272**	**0**	**(1,652)**	**(5,899)**	**9,924**
1,810	867	0	0	1,810	867	0	0	1,810	867
220	115	0	0	220	115	0	5	220	110
0	8,001	0	0	0	8,001	0	8,001	0	0
(11,838)	**(7,873)**	**0**	**0**	**(4,309)**	**17,025**	**0**	**6,344**	**(4,309)**	**10,681**
1,296	(3,345)	0	0	1,296	(3,345)	0	(35)	1,296	(3,310)
0	(358)	0	0	0	(358)	0	(358)	0	0
(10,542)	**(11,576)**	**0**	**0**	**(3,013)**	**13,322**	**0**	**5,951**	**(3,013)**	**7,371**
290,308	379,749	0	0	322,395	406,568	0	0	322,395	406,568
56,657	5,681	0	0	104,083	41,089	0	0	104,083	41,089
346,965	**385,430**	**0**	**0**	**426,478**	**447,657**	**0**	**0**	**426,478**	**447,657**
4,802	8,290	0	0	32,703	35,407	0	0	32,703	35,407
295	936	0	0	44,972	60,104	0	0	44,972	60,104
348,803	352,146	0	0	348,803	352,146	0	0	348,803	352,146
353,900	**361,372**	**0**	**0**	**426,478**	**447,657**	**0**	**0**	**426,478**	**447,657**
631	530	0	0	20,478	5,563	0	6	20,478	5,557
364	534	0	0	4,134	4,835	0	22	4,134	4,813

The following overview shows the regional distribution of the Group's revenues.

in 000' €	2014	2013
Germany	733	4
Europe and Asia	44,628	69,140
USA and Canada	18,617	8,816
Total from Continuing Operations	63,978	77,960
Total from Discontinued Operations	0	603
TOTAL	63,978	78,563

All non-current Group assets in the amount of € 102.3 million (31 December 2013: € 40.8 million), excluding deferred tax assets, are located in Germany. The Group's investments in the amount of € 20.5 million (31 December 2013: € 5.6 million) were all made in Germany.

4 Notes to the Income Statement

4.1 REVENUES

In 2014, revenues from continuing operations included license fees and milestone payments totaling € 43.5 million (2013: € 57.8 million). The Proprietary Development segment contributed revenues of € 14.4 million (2013: € 26.4 million), and the Partnered Discovery segment contributed revenues of € 29.1 million (2013: € 31.4 million).

Of the service fees totaling € 20.5 million (2013: € 20.2 million), an amount of € 0.6 million (2013: € 0.5 million) was attributable to the Proprietary Development segment and an amount of € 19.9 million (2013: € 19.6 million) was attributable to the Partnered Discovery segment.

4.2 OPERATING EXPENSES

4.2.1 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses include the following items.

in 000' €	2014	2013
Personnel Expenses	21,048	21,218
Consumable Supplies	2,327	2,157
Other Operating Expenses	2,863	2,312
Amortization and Other Costs of Intangible Assets	8,050	5,070
External Services	17,549	14,137
Depreciation and Other Costs for Infrastructure	4,126	4,258
Total from Continuing Operations	55,963	49,152
Total from Discontinued Operations	0	6
TOTAL	**55,963**	**49,158**

in million €	2014	2013	2012	2011	2010
R&D Expenses on behalf of Partners	19.5	17.5	16.0	19.1	18.9
Proprietary Development Expenses	33.6	27.5	18.1	33.9	25.9
Technology Development Expenses	2.9	4.2	3.6	2.9	2.1
R&D TOTAL	**56.0**	**49.2**	**37.7**	**55.9**	**46.9**

4.2.2 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include the following items.

in 000' €	2014	2013
Personnel Expenses	9,612	11,282
Consumable Supplies	77	29
Other Operating Expenses	835	1,219
Amortization of Intangible Assets	129	972
External Services	2,685	4,072
Depreciation and Other Costs for Infrastructure	808	1,196
Total from Continuing Operations	14,146	18,770
Total from Discontinued Operations	0	2,101
TOTAL	**14,146**	**20,871**

4.2.3 PERSONNEL EXPENSES

Personnel expenses include the following items.

in 000' €	2014	2013
Wages and Salaries	22,353	23,327
Social Security Contributions	3,689	3,288
Stock-based Compensation Expense	3,959	5,145
Temporary Staff (External)	200	647
Other	459	93
Total from Continuing Operations	30,660	32,500
Total from Discontinued Operations	0	523
TOTAL	**30,660**	**33,023**

In 2014 and 2013, other personnel expenses mainly included recruitment costs.

The average number of employees in the financial year 2014 was 315 (2013: 290). Of the 329 employees engaged on 31 December 2014 (31 December 2013: 299), 274 employees were active in research and development (31 December 2013: 253) and 55 employees were engaged in general and administrative functions (31 December 2013: 46 employees). On 31 December 2014, there were 105 employees in the Proprietary Development segment and 169 employees in the Partnered Discovery segment; 55 employees were not allocated to any specific segment (31 December 2013: 60 in the Proprietary Development segment, 193 employees in the Partnered Discovery segment, and 46 employees were not allocated). Costs for the defined-contribution plans amounted to € 0.4 million in 2014 (2013: € 0.3 million).

4.3 OTHER INCOME AND EXPENSES, FINANCE INCOME AND FINANCE EXPENSES

The item “other income and expenses, finance income and finance expenses” includes the following items.

in 000' €	2014	2013
Grant Income	127	209
Gain on Exchange	422	130
Appreciation of Accounts Receivable Previously Deemed Impaired	202	0
Miscellaneous Income	31	458
Other Income	782	797
Loss on Exchange	(449)	(359)
Impairment of Accounts Receivable	0	(239)
Repayment of Grant Income	0	(101)
Miscellaneous Expenses	(101)	(212)
Other Expenses	(550)	(911)
Gain on Marketable Securities	761	521
Interest Income	1,004	347
Unrealized Loss on Derivatives	45	0
Finance Income	1,810	868
Interest Expenses	(118)	(22)
Loss on Derivatives	(6)	(33)
Bank Fees	(63)	(56)
Loss on Marketable Securities	(33)	0
Finance Expenses	(220)	(111)
Total from Continuing Operations	1,822	643
Total from Discontinued Operations	0	5
TOTAL	1,822	648

4.4 INCOME TAX EXPENSES/INCOME

MorphoSys AG and its German subsidiary Sloning BioTechnology GmbH are subject to corporate taxes, the solidarity surcharge, and trade taxes. The Company’s corporate tax rate of 15.0 %, the solidarity surcharge of 5.5 %, and the effective trade tax rate of 10.5 % have all remained unchanged.

Income taxes for the past financial year are comprised as follows.

in 000' €	2014	2013
Current Tax Expense (Thereof Regarding Prior Years: Tax Income of k€ 6; 2013: Tax Expense of k€ 60)	(283)	(3,753)
Deferred Tax Income	1,579	443
Total Income Tax Income/(Expense)	1,296	(3,310)
Total Amount of Current Taxes Resulting from Entries Directly Recognized in Equity	0	611
Total Amount of Current Taxes Resulting from Entries Directly Recognized in Other Comprehensive Income	(15)	(260)
Total Amount of Deferred Taxes Resulting from Entries Directly Recognized in Other Comprehensive Income	17	159
Total Amount of Tax-Effects Resulting from Entries Directly Recognized in Equity or Other Comprehensive Income	2	510

The table below reconciles the expected income tax expense to the actual income tax expense as presented in the consolidated financial statements. The combined income tax rate of 26.33 % in financial year 2014 (2013: 26.33 %) was applied to profit before taxes to calculate the statutory income tax expense. This rate comprised corporate income tax of 15.0 %, a solidarity surcharge of 5.5 % on the corporate tax, and an average trade tax of 10.5 % applicable to the Group.

in 000' €	2014	2013
Profit Before Income Taxes	(4,309)	10,681
Expected Tax Rate	26.33 %	26.33 %
Expected Income Tax	1,134	(2,812)
Tax Effects Resulting from:		
Deferred Tax Asset on Tax Loss Carryforwards	629	200
Stock-based Compensation	(424)	(533)
Non-tax-deductible Items	(179)	(160)
Permanent Differences due to Tax Exemptions	107	1
Prior Year Taxes	(6)	(40)
Other Effects	35	34
Actual Income Tax	1,296	(3,310)

As of 31 December 2014, deferred tax assets on tax loss carryforwards in the amount of € 1.8 million were recognized as a result of positive business expectations at Sloning BioTechnology GmbH for financial years 2015 to 2019. No deferred tax assets were reported in previous years for a portion of the corporate tax loss carryforwards in the amount of € 2.4 million and trade tax loss carryforwards in the amount of € 2.3 million as the usability of these tax loss carryforwards was deemed uncertain with regard to German tax regulation (Sec. 8 Para. 4 of the German Corporation Tax Act (KStG-former version) and Sec. 8c of the German Corporation Tax Act (KStG)) (see also item 2.9.6 of the Notes*). The definitive nature of the tax loss carryforwards in question was confirmed in the context of a tax audit completed by the time the consolidated financial statements had been prepared. Therefore, deferred tax assets were recognized in the full amount of existing tax loss carryforwards. The tax loss carryforwards may be carried forward indefinitely and in unlimited amounts. As of 2004, German tax law restricts the offsetting of taxable income against existing tax loss carryforwards up to an amount of € 1.0 million plus 60 % of taxable income exceeding € 1.0 million.

*CROSS-REFERENCE TO PAGE 115

As of 31 December 2014, deferred tax assets on tax loss carryforwards in the amount of € 1.2 million were recognized as a result of positive business expectations at MorphoSys AG for financial years 2015 to 2019.

Deferred tax assets and liabilities are composed as follows.

in 000's €, as of December 31	DTA 2014	DTA 2013	DTL 2014	DTL 2013
Intangible Assets	0	0	1,829	2,049
Non-recognition of DTA on Intangible Assets	0	0	0	0
Property, Plant and Equipment	0	0	0	0
Land	0	0	0	0
Building	0	0	0	0
Other Equipment, Furnitures, Fixtures	0	43	0	0
Shares in Affiliated Companies	0	0	0	0
Inventories	0	0	0	0
Advanced Payments	0	0	0	0
Receivables and Other Assets	0	0	0	0
Treasury Stock	0	0	0	0
Prepaid Expenses and Deferred Charges	0	0	7	0
Short-term Securities Investments	54	260	37	100
Other Accrual/Provisions	533	428	0	0
Trade Accounts Payable	0	0	0	0
Convertible Bonds	0	0	0	0
Other Liabilities	0	0	0	0
Tax Losses	3,023	1,731	0	0
	3,610	**2,462**	**1,873**	**2,149**

As of 31 December 2014, deferred tax assets of € 3.6 million were offset against deferred tax liabilities of € 1.9 million (2013: deferred tax assets of € 2.5 million with deferred tax liabilities of € 2.1 million). The corresponding deferred tax assets and deferred tax liabilities concerned the same taxable entity and were imposed by the same tax authority.

As of 31 December 2014, there were temporary differences in connection with investments in subsidiaries (so-called outside basis differences) in the amount of € 0.3 million for which no deferred tax liabilities were recognized.

4.5 EARNINGS (LOSS)/CONSOLIDATED NET PROFIT PER SHARE

Basic earnings (loss) per share is computed by dividing the consolidated net loss of financial year 2014 in the amount of € 3,012,629 (2013: consolidated net profit of € 13,321,930) by the weighted average number of ordinary shares outstanding during the respective years (2014: 25,903,995; 2013: 24,504,031).

The weighted average number of ordinary shares is calculated as follows.

	2014	2013
SHARES ISSUED ON JANUARY, 1	**26,220,882**	**23,358,228**
Effect of Treasury Shares Held	(339,890)	(255,415)
Effect of Repurchase of Treasury Stock	(88,492)	(56,458)
Effect of Share Issuance	0	1,242,621
Effect of Shares Issued in January	0	0
Effect of Shares Issued in February	0	0
Effect of Shares Issued in March	0	0
Effect of Shares Issued in April	58,746	0
Effect of Shares Issued in May	2,198	0
Effect of Shares Issued in June	37,063	21,567
Effect of Shares Issued in July	0	170,075
Effect of Shares Issued in August	2,122	9,502
Effect of Shares Issued in September	4,030	1,492
Effect of Shares Issued in October	1,781	1,884
Effect of Shares Issued in November	4,936	9,662
Effect of Shares Issued in December	619	873
WEIGHTED-AVERAGE NUMBER OF SHARES OF COMMON STOCK	**25,903,995**	**24,504,031**

Diluted earnings (loss) per share is calculated by taking into account the potential increase in the Group's ordinary shares as the result of granted stock options and convertible bonds.

The following table shows the reconciliation of basic earnings per share to diluted earnings per share (in €, except for disclosure per share).

	2014	2013
Numerator		
Profit for the Year from Continuing Operations	(3,012,629)	7,370,820
Profit/(Loss) for the Year from Discontinued Operations	0	5,951,110
Consolidated Net (Loss)/Profit	(3,012,629)	13,321,930
Denominator		
Weighted-average Shares Used for Basic EPS	25,903,995	24,504,031
Dilutive Shares Arising from Convertible Bonds	286,319	259,063
TOTAL DENOMINATOR	**26,190,314**	**24,763,094**
Earnings per Share (in €)		
Basic	(0.12)	0.54
thereof from Continuing Operations	(0.12)	0.30
thereof from Discontinued Operations	0.00	0.24
Diluted	(0.12)	0.54
thereof from Continuing Operations	(0.12)	0.30
thereof from Discontinued Operations	0.00	0.24

5 Notes to the Assets of the Balance Sheet

5.1 CASH AND CASH EQUIVALENTS

in 000' €	12/31/2014	12/31/2013
Bank Balances and Cash in Hand	32,238	71,874
Term Deposits	573	964
Restricted Cash	(573)	(964)
Cash and Cash Equivalents	32,238	71,874

The decline in cash and cash equivalents resulted mainly from the use of cash and cash equivalents for operating activities and for the transaction with Emergent.

Restricted cash in the amount of € 0.6 million mainly consisted of rent deposits (2013: € 1.0 million).

5.2 FINANCIAL ASSETS/SECURITIES

As of 31 December 2014 and 2013, available-for-sale financial assets are comprised as follows.

			Gross Unrealized		
in 000' €	Maturity	Cost	Gains	Losses	Market Value
31 DECEMBER 2014					
Money Market Funds	daily	105,961	142	64	106,039
Restricted Cash					0
TOTAL					**106,039**
31 DECEMBER 2013					
Money Market Funds	daily	188,305	378	0	188,683
Restricted Cash					(323)
TOTAL					**188,360**

The Group's gross unrealized gain from available-for-sale money market funds in the amount of € 141,640 and the gross unrealized loss of € 64,291 as of 31 December 2014 and the gross unrealized gain of € 377,872 as of 31 December 2013 were recorded as a separate item within equity (revaluation reserve). In 2014, the Group recorded a net gain in the amount of € 710,518 from the disposal of financial assets in the income statement. This gain was previously recognized in stockholders' equity (2013: € 520,730). Restricted cash in the amount of € 0.3 million as of 31 December 2013 consisted of rent deposits.

As of 31 December 2014 and 2013, bonds available-for-sale comprised as follows.

			Gross Unrealized		
in 000' €	Maturity	Cost	Gains	Losses	Market Value
31 DECEMBER 2014					
Bonds	daily	7,572	0	84	7,488
TOTAL					**7,488**
31 DECEMBER 2013					
Bonds	daily	11,139	5	42	11,102
TOTAL					**11,102**

The Group's gross unrealized loss from available-for-sale bonds in the amount of € 83,650 as of 31 December 2014 as well as the gross unrealized loss of € 41,750 and the gross unrealized gain of € 5,095 as of 31 December 2013 were recognized as a separate item of equity (revaluation reserve). In 2014, the Group recorded a net gain in the amount of € 17,460 from the disposal of financial assets in the income statement that were previously recognized in stockholders' equity. In 2013, the Group did not report any gains or losses in the income statement from these financial assets since no assets were sold.

Further information on the accounting of financial assets is provided in item 2.8.1 of the Notes*.

*CROSS-REFERENCE TO PAGE 112

5.3 ACCOUNTS RECEIVABLE

All accounts receivable are non-interest bearing and generally have payment terms of between 30 and 45 days. As of 31 December 2014 and 2013, accounts receivable included unbilled receivables amounting to € 3,649,124 and € 1,597,498, respectively.

Based on the Management Board's estimate, no net loss for allowances for doubtful receivables was recognized in profit and loss in 2014 (2013: net loss of € 238,900). In 2013, this loss was attributed to the Partnered Discovery segment.

5.4 OTHER RECEIVABLES

As of 31 December 2014, the Company held current financial assets amounting to € 157.1 million (31 December 2013: € 119.3 million) and non-current financial assets in the amount of € 50.0 million (31 December 2013: € 0 million), which were assigned to the category "loans and receivables" in accordance with IAS 39 "Financial Instruments". These assets consisted mainly of time deposits with fixed or variable interest rates.

Interest income of € 914,140 (2013: € 273,207) was recognized in the finance result. The risks associated with these financial instruments mainly result from credit risks of banks. There was no indication for impairment in financial year 2014.

A portion of the € 4.7 million purchase price for the divested AbD Serotec business held in an escrow account was released during the third quarter of 2014.

Under the Group's hedging policy, highly probable cash flows and definite foreign-currency receivables, collectable within a twenty-four-month period, are tested as to whether they should be hedged. As of 2003, MorphoSys began using foreign currency options and forwards in order to hedge its foreign exchange risk against US dollar receivables. These derivatives are recorded at their fair values as "other receivables".

As of 31 December 2014, there were 24 unsettled forward rate agreements with terms ranging from one to 24 months. The resulting unrealized gain of € 44,506 as of 31 December 2014 was recorded in the finance result. As of 31 December 2013, no unsettled forward rate agreements or option contracts were outstanding. At the beginning of the year, the Group entered into four option contracts that reached maturity during financial year 2014. A realized loss of € 0.01 million (2013: loss of € 0.02 million) was recorded in finance expenses.

5.5 PREPAID EXPENSES, INCOME TAX RECEIVABLES, OTHER CURRENT ASSETS, AND INVENTORIES

As of 31 December 2014, prepaid expenses mainly consisted of prepaid fees for external laboratory services of € 0.5 million (31 December 2013: € 2.7 million), prepaid fees for sublicenses of € 0.2 million (31 December 2013: € 0.1 million), and other prepayments amounting to € 0.5 million (31 December 2013: € 0.4 million).

As of 31 December 2014, tax receivables amounted to € 2.8 million (31 December 2013: € 1.5 million) consisting of receivables due from tax authorities for value-added taxes payable in the amount of € 1.7 million (31 December 2013: € 1.4 million) and receivables in the context of capital gain taxes withheld and taxes for prior years in the amount of € 1.1 million (31 December 2013: € 0.1 million).

Inventories amounting to € 0.6 million as of 31 December 2014 were stored at the Martinsried location and consisted of raw materials and supplies. As of the reporting date, there were no inventories carried at fair value less selling costs.

Inventories amounting to € 0.7 million as of 31 December 2013 were stored at the Martinsried location. As of 31 December 2013, inventories consisted of raw materials and supplies of € 0.5 million and work in progress of € 0.2 million.

5.6 PROPERTY, PLANT, AND EQUIPMENT

in 000' €	Office and Laboratory Equipment	Furniture and Fixtures	Total
Cost			
1 JANUARY 2014	**12,161**	**1,867**	**14,028**
Additions	2,864	35	2,899
Disposals	(1,062)	(137)	(1,199)
31 DECEMBER 2014	**13,963**	**1,765**	**15,728**
Accumulated Depreciation			
1 JANUARY 2014	**10,173**	**1,687**	**11,860**
Depreciation Charge for the Year	1,386	60	1,446
Write-offs for the Year	57	0	57
Disposals	(1,056)	(137)	(1,193)
31 DECEMBER 2014	**10,560**	**1,610**	**12,170**
Carrying Amount			
1 JANUARY 2014	**1,988**	**180**	**2,168**
31 DECEMBER 2014	**3,403**	**155**	**3,558**
Cost			
1 JANUARY 2013	**12,436**	**1,892**	**14,328**
Additions	1,004	39	1,043
Disposals	(1,279)	(64)	(1,343)
31 DECEMBER 2013	**12,161**	**1,867**	**14,028**
Accumulated Depreciation			
1 JANUARY 2013	**9,485**	**1,651**	**11,136**
Depreciation Charge for the Year	1,435	84	1,519
Write-offs for the Year	522	16	538
Disposals	(1,269)	(64)	(1,333)
31 DECEMBER 2013	**10,173**	**1,687**	**11,860**
Carrying Amount			
1 JANUARY 2013	**2,951**	**241**	**3,192**
31 DECEMBER 2013	**1,988**	**180**	**2,168**

In financial year 2014, impairment of property, plant, and equipment amounted to € 0.1 million (2013: € 0.5 million) and mainly related to laboratory equipment in the Partnered Discovery segment. The impairment was caused by the fact that there was no longer an economic benefit expected from these assets.

No borrowing costs were capitalized during the reporting period. There were neither restrictions on retention of title nor property, plant and equipment pledged as security for liabilities. There were no material contractual commitments for the purchase of property, plant, and equipment as of the reporting date.

Depreciation is included in the following line items of the income statement.

in 000' €	2014	2013
Research and Development	1,208	1,155
Research and Development (Write-off)	57	538
General and Administrative	238	364
Total from Continuing Operations	1,503	2,057
Profit/(Loss) for the Year from Discontinued Operations	0	13
TOTAL	**1,503**	**2,070**

5.7 INTANGIBLE ASSETS

in 000' €	Patents	License Rights	In-Licensed Research Programs	Software	Goodwill	Total
Cost						
1 JANUARY 2014	**15,470**	**25,001**	**12,808**	**4,376**	**7,352**	**65,007**
Additions	273	815	15,446	1,045	0	17,579
Disposals	0	(3,920)	0	(241)	0	(4,161)
31 DECEMBER 2014	**15,743**	**21,896**	**28,254**	**5,180**	**7,352**	**78,425**
Accumulated Depreciation						
1 JANUARY 2014	**7,635**	**19,604**	**0**	**2,619**	**0**	**29,858**
Depreciation Charge for the Year	1,120	824	0	744	0	2,688
Write-offs for the Year	0	4,045	0	16	0	4,061
Disposals	0	(3,920)	0	(241)	0	(4,161)
31 DECEMBER 2014	**8,755**	**20,553**	**0**	**3,138**	**0**	**32,446**
Carrying Amount						
1 JANUARY 2014	**7,835**	**5,397**	**12,808**	**1,757**	**7,352**	**35,149**
31 DECEMBER 2014	**6,988**	**1,343**	**28,254**	**2,042**	**7,352**	**45,979**
Cost						
1 JANUARY 2013	**14,902**	**24,410**	**10,513**	**3,350**	**7,352**	**60,527**
Additions	568	591	2,295	1,061	0	4,515
Disposals	0	0	0	(35)	0	(35)
31 DECEMBER 2013	**15,470**	**25,001**	**12,808**	**4,376**	**7,352**	**65,007**
Accumulated Depreciation						
1 JANUARY 2013	**6,236**	**17,281**	**0**	**1,999**	**0**	**25,516**
Depreciation Charge for the Year	1,075	1,576	0	640	0	3,291
Write-offs for the Year	324	747	0	15	0	1,086
Disposals	0	0	0	(35)	0	(35)
31 DECEMBER 2013	**7,635**	**19,604**	**0**	**2,619**	**0**	**29,858**
Carrying Amount						
1 JANUARY 2013	**8,666**	**7,129**	**10,513**	**1,351**	**7,352**	**35,011**
31 DECEMBER 2013	**7,835**	**5,397**	**12,808**	**1,757**	**7,352**	**35,149**

In financial year 2014, impairments on patents and licenses totaled € 4.1 million (2013: € 1.1 million). Of this amount, € 2.1 million was recognized in the Proprietary Development segment (2013: € 1.1 million) and € 2.0 million in the Partnered Discovery segment (2013: € 0). These impairments were incurred because these assets were no longer expected to generate an economic benefit.

As of 31 December 2014, in-licensed research programs were subject to an impairment test as required by IAS 36. This test did not reveal any impairment.

Amortization is included in the following line items of the income statement.

in 000' €	2014	2013
Research and Development	2,562	3,068
Research and Development (Write-off)	4,058	760
General and Administrative	126	223
General and Administrative (Write-Off)	3	326
Total from Continuing Operations	6,749	4,377
Profit/(Loss) for the Year from Discontinued Operations	0	12
TOTAL	**6,749**	**4,389**

5.7.1 PATENTS

In financial year 2014, the carrying amount of patents declined by € 0.8 million from € 7.8 million to € 7.0 million. This was the result of additions amounting to € 0.3 million for patent applications, particularly for proprietary programs and technologies, which were offset by straight-line amortization of € 1.1 million.

5.7.2 LICENSES

The carrying amount of licenses declined by € 4.1 million from € 5.4 million to € 1.3 million in 2014. Additions during the financial year concerned one-time payments totaling € 0.8 million for access to target molecules as well as technologies. Amortization and impairment amounted to € 0.8 million and € 4.1 million, respectively.

5.7.3 IN-LICENSED RESEARCH PROGRAMS

The carrying amount of in-licensed research programs increased from € 12.8 million to € 28.3 million in 2014. This increase was primarily the result of the in-licensing of a research program from Emergent in the form of an upfront payment of US$ 20 million. The in-licensed compounds, which were reported at acquisition cost, are currently not available for use and were therefore not yet amortized.

5.7.4 SOFTWARE

In financial year 2014, additions to this line item totaled € 1.0 million. The carrying amount increased by € 0.2 million from € 1.8 million in 2013 to € 2.0 million in 2014. Additions were offset by amortization in the amount of € 0.8 million and minor software disposals.

5.7.5 GOODWILL

On 30 September 2014, goodwill in the amount of € 7.4 million from the acquisition of Sloning BioTechnology GmbH in the year 2010 was subject to an impairment test as required by IAS 36. The recoverable amount of the cash-generating unit of the team for technology development within the Partnered Discovery segment has been determined on the basis of value in use calculations; the value-in-use was higher than the carrying amount of the cash generating unit. A detailed sensitivity analysis was also performed. The cash flow forecasts are based on a period of ten years since the Management Board believes that commercialisation by means of licensing agreements, upfront payments, milestone payments, funded research, and royalties will fully pay off in the medium to longer term. For this reason, a planning horizon of ten years is considered appropriate for the value-in-use calculation. Cash flow forecasts are mainly based on the central assumption that the currently developed technology will prove to be very beneficial for new and existing customers and will lead to a number of new agreements. The values of the underlying key assumptions were determined using both internal (past experience) and external sources of information (market information). On the basis of the updated cash flow forecast for the next ten years, the value in use was determined as follows: A beta factor of 1.2 (2013: 1.3), WACC of 11.5 % (2013: 15.2 %), as well as a perpetual growth rate of 1 %. The fair value assumptions correlate to the Management Board's forecasts in term of future development and are based on internal planning scenarios as well as external sources of information.

5.8 SHARES, AVAILABLE-FOR-SALE

Shares available-for-sale comprise the 19.98 % share in Dutch Lanthio Pharma B.V. The investment increased in financial year 2013 due to a contribution in the amount of € 0.8 million to a total of € 1.7 million and remained unchanged in 2014.

5.9 PREPAID EXPENSES AND OTHER ASSETS

This line item included the non-current portion of prepaid expenses and other assets. The Group has classified certain line items in other assets as "restricted cash" which are not available for use in the Group's operations (see items 2.8.1, 5.1, and 5.2 of the Notes*). As of 31 December 2014 and 2013, the Group's restricted cash amounted to € 0.6 million and € 1.3 million, respectively. This included issued rent guarantees as well as convertible bonds granted to employees in the amount of € 251,679 and € 298,606, respectively.

*CROSS-REFERENCE TO PAGE 112 AND PAGE 121–122

This line item is composed as follows.

in 000' €	12/31/2014	12/31/2013
Prepaid Expenses, Net of Current Portion	183	51
Other Current Assets	868	1,681
TOTAL	**1,051**	**1,732**

6 Notes to Equity and Liabilities of the Balance Sheet

6.1 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

Accounts payable are listed in the following table.

in 000' €	12/31/2014	12/31/2013
Trade Accounts Payable	569	1,078
Licenses Payable	89	120
Accrued Expenses	16,101	15,076
Other Liabilities	1,072	916
TOTAL	**17,831**	**17,190**

Accrued expenses mainly included accrued personnel expenses for payments to employees and the management amounting to € 3.1 million (31 December 2013: € 5.6 million), provisions for outstanding invoices in the amount of € 2.0 million (31 December 2013: € 1.8 million), external laboratory services in the amount of € 10.5 million (31 December 2013:

€ 6.8 million), license payments in the amount of € 0.4 million (31 December 2013: € 0.5 million), audit fees and other audit-related costs in the amount of € 0.1 million (31 December 2013: € 0.1 million), and insignificant amounts for legal advice (31 December 2013: € 0.3 million).

At the Company's Annual General Meeting in May 2014, the Supervisory Board was given authorization to appoint PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft (PwC AG), Munich, as the auditor.

In financial year 2014, PwC AG received compensation from MorphoSys in the amount of € 265,483, including audit fees in the amount of € 175,900, fees for other audit-related and valuation services of € 52,300, fees for tax services in the amount of € 5,855 as well as fees for other services in the amount of € 31,428.

6.2 PROVISIONS AND TAX LIABILITIES

As of 31 December 2014, the Group recorded provisions and tax liabilities in the amount of € 0.8 million (2013: € 3.6 million for the entire Group).

Tax liabilities mainly comprised income tax expenses. As of 31 December 2014, provisions and tax liabilities were uncertain in terms of their amount and are expected to be utilized in 2015.

The provisions and tax liabilities developed as follows in financial year 2014.

in 000' €	01/01/2014	Additions	Utilized	Released	12/31/2014
Taxes	2,690	375	2,259	29	777
Other Obligations	897	379	999	214	63
TOTAL	**3,587**	**754**	**3,258**	**243**	**840**

6.3 DEFERRED REVENUES

Deferred revenues relate to payments received from customers for which the services have not been rendered. This line item developed as follows.

in 000' €	2014	2013
OPENING BALANCE	**74,435**	**6,543**
Prepayments Received in the Fiscal Year	17,863	91,860
Revenue Recognised through Release of Prepayments in line with Services Performed in the Fiscal Year	(33,546)	(23,968)
CLOSING BALANCE	**58,752**	**74,435**
thereof short-term	14,075	15,267
thereof long-term	44,677	59,168

6.4 STOCKHOLDERS' EQUITY

6.4.1 COMMON STOCK

On 31 December 2014 the Company had common stock amounting to € 26,456,834, including treasury stock, which represents an increase of € 235,952 in comparison to the level of € 26,220,882 on 31 December 2013. Each no-par value share is entitled to one vote. Common stock increased by € 235,952 or 235,952 shares as a result of the exercise of 235,952 convertible bonds granted to the Management Board and the Senior Management Group. The weighted average exercise price per exercised convertible bonds amounted to € 16.79.

As of 31 December 2014, the Company held 450,890 shares in treasury stock in the amount of € 14,251,962, which corresponds to an increase of € 7,833,944 compared to 31 December 2013 (339,890 shares, € 6,418,018). This increase was the result of the repurchase of 111,000 own stocks on the stock exchange. The treasury stock may be used for all purposes named in the authorization of the Annual General Meetings on 19 May 2011 as well as on 23 May 2014, and particularly for any existing or future employee participation schemes and/or to finance acquisitions. The shares may also, however, be redeemed.

6.4.2 AUTHORIZED CAPITAL

Compared to 31 December 2013, the number of authorized ordinary shares increased from 2,335,822 to 4,957,910. This resulted from the creation of the new Authorized Capital 2014-I at the Annual General Meeting on 23 May 2014. With the Supervisory Board's consent, the Management Board is authorized to increase the Company's common stock on one or more occasions by up to € 2,622,088 by issuing up to 2,622,088 new, no-par value bearer shares up to and including the date of 30 April 2019.

6.4.3 CONDITIONAL CAPITAL

The number of ordinary shares of conditional capital decreased to 7,166,848 compared to 8,057,470 on 31 December 2013. At the Annual General Meeting on 23 May 2014, the Conditional Capital 1999-I in the amount of € 70,329 and the Conditional Capital 2008/II in the amount of € 212,077 were cancelled. Conditional Capital 2003-II was reduced by € 372,264 from € 725,064 to € 352,800. A further reduction of Conditional Capital 2003-II of € 235,952 to a total of € 116,848 resulted from the exercise of 235,952 conversion rights in 2014. The reduction of Conditional Capital through the exercise of 235,952 conversion rights was registered for entry in the commercial register in January 2015.

6.4.4 TREASURY STOCK

In the years 2013 and 2014, the Group repurchased own shares. Composition and development of this line item can be found in the following table.

	Number of Shares	Value
As of 12/31/2010	79,896	9,774
Purchase in 2011	84,019	1,747,067
As of 12/31/2011	163,915	1,756,841
Purchase in 2012	91,500	1,837,552
As of 12/31/2012	255,415	3,594,393
Purchase in 2013	84,475	2,823,625
As of 12/31/2013	339,890	6,418,018
Purchase in 2014	111,000	7,833,944
As of 12/31/2014	450,890	14,251,962

The average stock price at the time of the repurchases carried out in 2014 amounted to € 70.53 per share (2013: € 33.43 per share). Treasury stocks are recognized at acquisition cost.

6.4.5 ADDITIONAL PAID-IN CAPITAL

On 31 December 2013, additional paid-in capital amounted to € 318,375,720 (31 December 2013: € 310,963,651). The total increase of € 7,412,069 resulted from the exercise of convertible bonds granted totaling € 3,725,682. Furthermore, additional paid-in capital increased by € 3,686,387 from personnel expenses resulting from share-based payments.

In 2013, additional paid-in capital increased by € 135,718,385. The capital increase in September 2013 and the agreement with Celgene resulted in a total increase of € 124,369,723. In addition, the exercise of stock options and personnel expenses resulting from share-based payments resulted in an increase of € 6,606,570 and € 4,742,092, respectively.

IFRS 2 "Share-based Payment" requires the consideration of the effects of share-based payments if the Group acquires goods or services in exchange for stocks or stock options ("settlement in equity instruments") or other assets that represent the value of a specific number of stocks or stock options ("cash settlement"). The key impact of IFRS 2 on the Group arises from the expense of using an option pricing model in connection with share-based incentives for employees and the Management Board. Further information may be found under items 7.1, 7.2 and 7.3 of the Notes*.

*CROSS-REFERENCE TO PAGE 129–130

6.4.6 REVALUATION RESERVE

On 31 December 2014, the revaluation reserve amounted to € -4.642 (31 December 2013: € 240,381). The reduction amounting to a total of € 245,023 arose from a change in the unrealized gain on available-for-sale securities and bonds of € 347,517, which was partly offset by the effects from the equity-related recognition of deferred taxes in the amount of € 102,494.

6.4.7 TRANSLATION RESERVE

The translation reserve increased by € 101,290 from € 192,556 on 31 December 2013 to € 293,846 on 31 December 2014. This item included exchange rate differences arising from the revaluation of Group company financial statements of prepared in foreign currencies as well as differences between the exchange rates used in the balance sheet and the income statement.

6.4.8 ACCUMULATED INCOME

The consolidated net loss amounting to € 3,012,629 is reported in accumulated income. Thus, accumulated income declined from € 20,945,968 in 2013 to € 17,933,339 in 2014.

7 Remuneration System for the Management Board and Employees of the Group

7.1 CONVERTIBLE BONDS

7.1.1 2010 PROGRAM

On 1 April 2010, 352,800 convertible bonds were granted to members of the Management Board and members of the Senior Management Group. The exercise price of the convertible bonds was € 16.79 and equaled the Company's share price in the XETRA closing auction of the Frankfurt Stock Exchange on the trading day preceding the issuance of the convertible bonds. Each convertible bond having a par value of € 0.33 entitles the conversion into one no-par value bearer share of the Group against payment of the exercise price. The beneficiaries may only exercise their conversion rights following a vesting period of four years beginning after the grant date. Exercise of the conversion rights is only possible if, on one trading day during the lifetime of the convertible bond, the share price reached at least 110% of the exercise price as of the grant date. After 31 December 2015, these convertible bonds can no longer be exercised. If the conversion rights are not exercised, the beneficiaries receive a reimbursement of the amount paid to acquire the conversion rights (€ 0.33 per convertible bond/share). Convertible bonds are recorded at their accreted value, which closely approximates to the principal amount on their due date.

In financial year 2014, a total of 235,952 convertible bonds were exercised at a weighted-average share price of € 69.69.

7.1.2 2013 PROGRAM

On 1 April 2013, MorphoSys AG granted the Management Board and members of the Senior Management Group convertible bonds with a total nominal value of € 225,000 and divided into 449,999 bearer bonds with equal rights from "Conditional Capital 2008-III". The beneficiaries have the right to convert the bonds received into shares of the Company. Each convertible bond may be exchanged for one of the Company's bearer shares equal to the proportional amount of common stock, which currently stands at € 1. The exercise of the convertible bonds is subject to several conditions, such as the achievement of performance targets, the expiration of vesting periods, the exercisability of the conversion rights, the existence of an employment or service contract which is not under notice, and the commencement of the exercise period.

The conversion price amounted to € 31.88 and was derived from the Company's share price in the XETRA closing auction of the Frankfurt Stock Exchange on the trading day preceding the issuance of the convertible bonds. The exercise of the conversion rights is admissible if, on at least one trading day during the lifetime of the convertible bonds, the share price of the Company has amounted to more than 120% of the price in the XETRA closing auction of the Frankfurt Stock Exchange on the trading day preceding the issuance of the convertible bonds.

The exercise of the conversion rights is only admissible after the expiration of a four-year vesting period from the grant date. In the event of a change of control, the vesting period will be shortened to two years from the grant date. For every year without a notice of termination of the employment relationship with the Company or an affiliated company, 25% of the conversion rights will become vested. In the event of a change of control, all unvested conversion rights become vested.

If an employment or service contract of a beneficiary is terminated without notice, no further conversion rights can be vested in line with the above mentioned vesting scheme. Thus, upon rendition of the notice, all conversion rights still unvested by this time will expire without substitution. In the event of a contractual notice of termination of such employment or service contract with the beneficiary, or a mutually agreed dissolution contract, the previous sentence applies and becomes effective as of the date of termination of the employment or service contract.

The following table shows the development of the convertible bond plans for employees of the Group in financial years 2014 and 2013.

	Convertible Bonds	Weighted-average Price (€)
OUTSTANDING ON 1 JANUARY 2013	320,550	16.79
Granted	449,999	31.88
Exercised	0	0.00
Forfeited	(3,750)	16.79
Expired	0	0.00
OUTSTANDING ON 31 DECEMBER 2013	766,799	25.65
OUTSTANDING ON 1 JANUARY 2014	766,799	25.65
Granted	0	0.00
Exercised	(235,952)	16.79
Forfeited	0	0.00
Expired	0	0.00
OUTSTANDING ON 31 DECEMBER 2014	530,847	29.58

On 31 December 2014, the number of vested convertible bonds totaled 193,348 shares (31 December 2013: zero shares).

The following overview includes the weighted-average exercise price as well as information on the contract duration of significant groups of convertible bonds as of 31 December 2014.

Range of Exercise Prices	Number Outstanding	Remaining Contractual Life (in Years)	Weighted-average Exercise Price (€)	Number Exercisable	Weighted-average Exercise Price (€)
€ 10.00 – € 25.00	80,848	1.00	16.79	80,848	16.79
€ 25.01 – € 40.00	449,999	5.25	31.88	112,500	31.88
	530,847	**4.60**	**29.58**	**193,348**	**29.58**

The Group recognizes personnel expenses resulting from convertible bonds in accordance with IFRS 2 and IAS 32.28. The equity component of the convertible bonds is presented separately in additional paid-in capital. The corresponding amount is recognized as personnel expenses from convertible bonds. In 2014 and 2013, compensation expenses related to convertible bonds amounted to € 1,609,086 and € 1,997,414, respectively.

7.2 STOCK APPRECIATION RIGHTS

On 1 October 2010, employees of MorphoSys AG were granted 15,000 stock appreciation rights at the same conditions as the convertible bonds granted on 1 April 2010. Compensation expenses amounted to € 272.953 in 2014 (2013: € 449.420). In financial year 2014, all stock appreciation rights were exercised at an average share price of € 74.44.

7.3 LONG-TERM INCENTIVE PROGRAMS

The total decline in recognized personnel expenses from share-based payments resulted from the modification carried out in financial year 2013 for the 2011 and 2012 LTI programs. For the 2011 LTI program, vesting periods were modified so that the beneficiaries' claims would become vested at a rate of one quarter per year. However, in the case of the 2012 LTI program, claims become vested on a pro rata basis. With this modification, changes in the interpretation and development of labor law were taken into account. As a result of the adaptation, personnel expenses are accounted for comparatively earlier within the four-year period, resulting in a decrease of personnel expenses in 2014 compared to the previous year.

7.3.1 2011 LONG-TERM INCENTIVE PROGRAM

On 1 June 2011, MorphoSys established a long-term incentive plan (LTI plan) for the Management Board and the Senior Management Group. According to IFRS, this program is considered a share-based payment program with settlement in equity instruments and is accounted for accordingly. The LTI plan is a performance-related share plan and will be paid out in ordinary shares of MorphoSys AG if predefined key performance criteria have been achieved. These criteria are assessed and approved annually by the Supervisory Board. These key performance criteria presently consist of revenues, EBIT, and the number of projects in the R&D portfolio.

The grant date was 1 June 2011 and the vesting period is four years. A total of 25 % of the performance shares will become vested in each year of the four-year vesting period, provided that the performance criteria set for the respective period were met by 100 %. The annual number of vested shares shall be reduced to the extent that the performance criteria of the relevant year were fulfilled only between 50 % and 99 %, and increased to the extent that the performance criteria were achieved by more than 100 % (maximum 110 %). In consideration of these conditions, the ordinary shares of MorphoSys AG will be delivered to the beneficiaries after the four-year vesting period. In any case, the maximum pay-out at the end of the four-year period is limited by a factor determined by the Group which generally amounts to "1". The Supervisory Board may deviate from this factor, for example, if the level of payments is considered to be inappropriate given the general development of the Group.

If the number of repurchased shares is not sufficient for servicing the LTI plan, MorphoSys reserves the right to pay a certain amount of the LTI plan in cash in the amount of the performance shares at the end of the vesting period, provided the cash amount does not exceed 200 % of the fair value of the performance shares on the grant date.

If a member of the Management Board ceases to hold an office at MorphoSys Group prematurely before expiration of the four year performance period, the Management Board member (or his/her heirs) is entitled to performance shares determined on a precise daily pro rata basis. If a member of the Management Board ceases to hold an office within MorphoSys Group for good reason as defined by Sec. 626 Para. 2 of the German Civil Code (BGB) prematurely before expiration of the four-year performance period, the beneficiary will not be entitled to an allocation of performance shares. If a change of control occurs during the course of the four-year vesting period, all performance shares are considered fully vested. In every above named case, the allocation of the performance shares only occurs at the end of the four-year vesting period.

In June 2011, MorphoSys repurchased 84,019 of its own shares on the stock exchange at an average price of € 20.79 per share for the 2011 LTI plan. The repurchased shares may be used for all purposes named in the authorization of the Annual General Meetings on 19 May 2011 as well as on 23 May 2014 and particularly for any existing or future employee participation schemes and/or to finance acquisitions. However, they may also be redeemed. These 84,019 shares were granted to the beneficiaries retroactively on 1 June 2011. This included 53,997 shares for the Management Board (for further information please see the table titled "Performance Shares" in item 7.4* "Directors' Dealings") and 30,022 shares for the Senior Management Group. The fair value of the performance shares was € 21.34 per share on the grant date (1 June 2011). No dividends were considered in the determination of the fair value of the repurchased shares since the Group does not intend to distribute any dividends in the foreseeable future. From the grant date until 31 December 2014, three beneficiaries have left MorphoSys and, therefore, 5,216 performance shares were forfeited.

*CROSS-REFERENCE TO PAGE 133

In 2014, personnel expenses resulting from stock options under the Group's 2011 LTI plan amounted to € 172,311 (2013: € 778,124).

7.3.2 2012 LONG-TERM INCENTIVE PROGRAM

On 1 April 2012, MorphoSys established a second long-term incentive plan (LTI plan) for the Management Board and the Senior Management Group. According to IFRS 2, this program is considered a share-based payment program with settlement in equity instruments and is accounted for accordingly. The LTI plan is a performance-related share plan and will be paid out in ordinary shares of MorphoSys AG if predefined key performance criteria have been achieved. These criteria are approved annually by the Supervisory Board.

The grant date was 1 April 2012 and the vesting period is four years. One fourth of the performance shares will become vested in each year of the four-year vesting period, provided that the performance criteria set for the respective period were met in full. The annual number of vested shares shall be reduced to the extent that the performance criteria of the relevant year have been fulfilled only between 50 % and 99 %, and increased to the extent that the performance criteria were met by more than 100 % (maximum 200 %). If in one year the specified performance criteria are achieved by less than 50 %, no shares will become vested in that year. In any case, the maximum pay-out at the end of the four-year period is limited by a factor determined by the Group which generally amounts to "1". However, in justified cases, the Supervisory Board may set this factor freely between "0" and "2", for example, if the level of payment seems unreasonable with regard to the general development of the Company. The right to receive a certain allocation of shares under the LTI plan, however, only occurs at the end of the four-year vesting period.

If the number of repurchased shares is not sufficient for servicing the LTI plan, MorphoSys reserves the right to pay a certain amount of the LTI plan in cash in the amount of the performance shares at the end of the vesting period, provided the cash amount does not exceed 200 % of the fair value of the performance shares on the grant date.

If a member of the Management Board ceases to hold an office within MorphoSys Group prematurely before expiration of the four year performance period, the Management Board member (or his/her heirs) is entitled to performance shares determined on a precise daily pro rata basis. If a member of the Management Board ceases to hold an office within MorphoSys Group for good reason as defined by Sec. 626 Para. 2 of the German Civil Code (BGB) prematurely before expiration of the four-year performance period, the beneficiary will not be entitled to an allocation of performance shares. If a change of control occurs during the course of the four-year vesting period, all performance shares are considered fully vested. In every above named case, the right to receive a certain allocation of shares under the LTI plan only occurs at the end of the four-year vesting period.

In April 2012, MorphoSys repurchased 91,500 of its own shares on the stock exchange at an average price of € 20.08 per share for the 2012 LTI plan. The repurchased shares may be used for all purposes named in the authorization of the Annual General Meetings on 19 May 2011 as well as on 23 May 2014 and particularly for any existing or future employee participation schemes and/or to finance acquisitions. However, they may also be redeemed. These 91,500 shares were granted to the beneficiaries retroactively on 1 April 2012. These included 57,967 shares for the Management Board (for further information please see the table titled "Performance Shares" in item 7.4* "Directors' Dealings") and 33,533 shares for the Senior Management Group. The fair value of the performance shares was € 19.24 per share on the grant date (1 April 2012). No dividends were considered in the determination of the fair value of the repurchased shares since the Group does not intend to distribute any dividends in the foreseeable future. From the grant date until 31 December 2014, two beneficiaries have left MorphoSys and thus 4,051 performance shares were forfeited.

*CROSS-REFERENCE TO PAGE 133

On 1 October 2012, MorphoSys established a further long-term incentive plan (LTI plan) for members of the Senior Management Group. The terms of the plan were identical to the program of 1 April 2012. A total of 2,292 shares were granted. The fair value was € 24.00 per share on the grant date.

In 2014, personnel expenses resulting from stock options under the Group's 2012 LTI plan amounted to € 293,904 (2013: € 974,997).

7.3.3 2013 LONG-TERM INCENTIVE PROGRAM

On 1 April 2013, MorphoSys established a further long-term incentive plan (LTI plan) for the Management Board and the Senior Management Group. According to IFRS 2, this program is considered a share-based payment program with settlement in equity instruments and is accounted for accordingly. The LTI plan is a performance-related share plan and will be paid out in ordinary shares of MorphoSys AG if predefined key performance criteria have been achieved. These criteria are evaluated annually by the Supervisory Board. The grant date was 1 April 2013 and the vesting/performance period is four years. If the predefined key performance criteria for the respective period are met by 100 %, 25 % of the performance shares become vested in each year of the four-year vesting period. The number of shares vested each year will be reduced or increased to the extent that the performance criteria of the respective year have only been achieved between 50 % and 99.9 % (<100 %) or that the achievement of the performance criteria has exceeded 100 % (maximum 200 %). If in one year the performance criteria are achieved by less than 50 %, “0” shares will become vested in that year. In any case, the maximum pay-out at the end of the four-year period is limited by a factor determined by the Group which generally amounts to “1”. However, in justified cases, the Supervisory Board may set this factor freely between “0” and “2”, for example, if the level of payment is regarded as unreasonable in view of the general development of the Company. The right to receive a certain allocation of shares under the LTI plan, however, only occurs at the end of the four-year vesting period.

If the number of repurchased shares is not sufficient for servicing the LTI plan, MorphoSys reserves the right to pay a certain amount of the LTI plan in cash in the amount of the performance shares at the end of the vesting period, provided the cash amount does not exceed 200 % of the fair value of the performance shares on the grant date.

If a member of the Management Board ceases to hold an office within MorphoSys Group prematurely before expiration of the four year performance period, the Management Board member (or his/her heirs) is entitled to performance shares determined on a precise daily pro rata basis. If a member of the Management Board ceases to hold an office within MorphoSys Group for good reason as defined by Sec. 626 Para. 2 of the German Civil Code (BGB) prematurely before expiration of the four-year performance period, the beneficiary will not be entitled to an allocation of performance shares. If a change of control occurs during the course of the four-year vesting period, all performance shares are considered fully vested. In every above named case, the right to receive a certain allocation of shares under the LTI plan only occurs at the end of the four-year vesting period.

In April and May 2013, MorphoSys repurchased 84,475 of its own shares on the stock exchange at an average price of € 33.43 per share. The repurchased shares may be used for all purposes named in the authorization of the Annual General Meetings on 19 May 2011 as well as on 23 May 2014 and particularly for any existing or future employee participation schemes and/or to finance acquisitions. However, they may also be redeemed. Of these shares, 61,600 were granted to the beneficiaries retroactively effective 1 April 2013. This included 36,729 shares for the Management Board (for further information, please see the table titled “Performance Shares” in item 7.4* “Directors’ Dealings”) and 24,871 shares for the Senior Management Group. On the grant date (1 April 2013), the fair value of the performance shares was € 31.88 per share. No dividends were considered in the determination of the fair value of the repurchased shares since the Group does not intend to distribute any dividends in the foreseeable future. From the grant date until 31 December 2014, no beneficiary has left MorphoSys and no performance shares have been forfeited. For the calculation of the personnel expenses resulting from share-based payments under the 2013 LTI plan, it was assumed that one beneficiary will leave the Company during the four-year period.

*CROSS-REFERENCE TO PAGE 133

On 1 October 2013, MorphoSys established a further long-term incentive plan (LTI plan) for members of the Senior Management Group. The terms of the plan were identical to the program of 1 April 2013. A total of 549 shares were granted and the fair value on the grant date was € 57.39 per share.

In 2014, personnel expenses resulting from stock options under the Group’s 2013 LTI plan amounted to € 594,309 (2013: € 917,319).

7.3.4 2014 LONG-TERM INCENTIVE PROGRAM

On 1 April 2014, MorphoSys established a fourth long-term incentive plan (LTI plan) for the Management Board and the Senior Management Group. According to IFRS 2, this program is considered a share-based payment program with settlement in equity instruments and is accounted for accordingly. The LTI plan is a performance-related share plan and will be paid out in ordinary shares of MorphoSys AG if predefined key performance criteria have been achieved. These criteria are evaluated annually by the Supervisory Board. The grant date was 1 April 2014 and the vesting/performance period is four years. If the predefined key performance criteria for the respective period are met by 100 %, 25 % of the performance shares become vested in each year of the four-year vesting period. The number of shares vested each year will be reduced or increased to the extent that the performance criteria of the respective year have only been achieved between 50 % and 99.9 % (<100 %) or that the achievement of the performance criteria has exceeded 100 % (maximum 200 %). If in one year the performance criteria are met by less than 50 %, “0” shares will become vested in that year. In any case, the maximum pay-out at the end of the four-year period is limited by a factor determined by the Group which generally amounts to “1”. However, in justified cases, the Supervisory Board may set this factor freely between “0” and “2”, for example, if the level of payment is regarded as unreasonable in view of the general development of the Company. The right to receive a certain allocation of shares under the LTI plan, however, only occurs at the end of the four-year vesting period.

If the number of repurchased shares is not sufficient for servicing the LTI plan, MorphoSys reserves the right to pay a certain amount of the LTI plan in cash in the amount of the performance shares at the end of the vesting period, provided the cash amount does not exceed 200 % of the fair value of the performance shares on the grant date.

If a member of the Management Board ceases to hold an office within the MorphoSys Group through termination (or if the member of the Management Board terminates the employment contract), resignation, death, injury, disability, or by reaching the retirement age (receipt of a normal retirement pension, early-retirement pension or disability pension, as long as the requirements for the disability pension entitlement are met), or under other circumstances subject to the Supervisory Board's discretion, the Management Board member (or his/her heirs) is entitled to performance shares determined on a precise daily pro rata basis.

If a member of the Management Board ceases to hold an office within MorphoSys Group for good reason as defined by Sec. 626 Para. 2 of the German Civil Code (BGB) and/or as defined by Sec. 84 Para. 3 of the German Stock Corporation Act (AktG), the beneficiary will not be entitled to an allocation of performance shares.

If a change of control occurs during the course of the four-year vesting period, all performance shares will become fully vested. In this case, the right to receive a certain allocation of shares under the LTI plan only occurs at the end of the four-year vesting period.

In March 2014, MorphoSys repurchased 111,000 of its own shares on the stock exchange at an average price of € 70.53 per share. The repurchased shares may be used for all purposes named in the authorization of the Annual General Meetings on 19 May 2011 as well as on 23 May 2014 and particularly for any existing or future employee participation schemes and/or to finance acquisitions. However, they may also be redeemed. A total of 32,513 of these shares were granted to beneficiaries on 1 April 2014: 18,264 were granted to the Management Board (further details may be found in the table titled "Performance Shares" in item 7.4* "Directors' Dealings") and 14,249 shares were granted to the Senior Management Group. The fair value of the performance shares as of the grant date (1 April 2014) was € 67.30 per share. This was equivalent to the share price on the Frankfurt Stock Exchange (Xetra) on the trading day preceding the grant date. No dividends were considered in the determination of the fair value of the repurchased shares since the Group does not intend to distribute any dividends in the foreseeable future. From the grant date until 31 December 2014, no beneficiary has left MorphoSys and no performance shares have been forfeited. For the calculation of the personnel expenses resulting from share-based payments under the 2014 LTI plan, it was assumed that one beneficiary will leave the Company during the four-year period.

*CROSS-REFERENCE TO PAGE 133

In 2014, personnel expenses resulting from stock options under the Group's 2014 LTI plan amounted to € 1,016,776.

7.4 RELATED PARTIES

Related parties that can be influenced by the Group or that can have a significant influence on the Group, can be divided into subsidiaries, members of management in key positions, and other related entities.

The Group engages in business relationships with members of the Management Board and the Supervisory Board as related parties who are responsible for the planning, management, and monitoring of the Group. In addition to cash compensation, the Group has granted the Management Board convertible bonds and performance shares. The tables below show the shares, convertible bonds and performance shares held by the members of the Management Board and Supervisory Board, as well as the changes in their ownership during financial year 2014.

SHARES

	01/01/2014	Additions	Forfeitures	Sales	12/31/2014
MANAGEMENT BOARD					
Dr. Simon Moroney	452,885	40,000	0	40,000	452,885
Jens Holstein	6,500	0	0	4,500	2,000
Dr. Arndt Schottelius	2,000	33,000	0	33,000	2,000
Dr. Marlies Sproll	27,370	1,250	0	0	28,620
TOTAL	**488,755**	**74,250**	**0**	**77,500**	**485,505**
SUPERVISORY BOARD					
Dr. Gerald Möller	9,000	0	0	0	9,000
Dr. Walter Blättler	2,019	0	0	0	2,019
Dr. Daniel Camus	0	0	0	0	0
Dr. Marc Cluzel	0	500	0	0	500
Karin Eastham	1,000	0	0	0	1,000
Dr. Geoffrey Vernon	0	0	0	0	0
TOTAL	**12,019**	**500**	**0**	**0**	**12,519**

CONVERTIBLE BONDS

	01/01/2014	Additions	Forfeitures	Exercises	12/31/2014
MANAGEMENT BOARD					
Dr. Simon Moroney	147,186	0	0	40,000	107,186
Jens Holstein	90,537	0	0	0	90,537
Dr. Arndt Schottelius	93,537	0	0	33,000	60,537
Dr. Marlies Sproll	93,537	0	0	0	93,537
TOTAL	**424,797**	**0**	**0**	**73,000**	**351,797**

PERFORMANCE SHARES

	01/01/2014	Additions	Forfeitures	Allocations	12/31/2014
MANAGEMENT BOARD					
Dr. Simon Moroney	48,676	5,979	0	0	54,655
Jens Holstein	33,339	4,095	0	0	37,434
Dr. Arndt Schottelius	33,339	4,095	0	0	37,434
Dr. Marlies Sproll	33,339	4,095	0	0	37,434
TOTAL	**148,693**	**18,264**	**0**	**0**	**166,957**

MANAGEMENT BOARD REMUNERATION FOR THE YEARS 2014 AND 2013 (IAS 24):

	Dr. Simon Moroney Chief Executive Officer		Jens Holstein Chief Financial Officer	
	2013	2014	2013	2014
Fixed Compensation	412,049	426,502	279,531	289,335
Fringe Benefits	67,132	29,444	28,138	33,722
One-Year Variable Compensation	360,543	324,696	244,590	220,271
Total Short-Term Employee Benefits (IAS 24.17 (a))	839,724	780,642	552,259	543,328
Service Cost	112,221	125,730	78,177	86,866
Total Benefit Expenses - Post-Employment Benefits (IAS 24.17 (b))	112,221	125,730	78,177	86,866
Multi-Year Variable Compensation*:				
2009 Stock Option Plan (Vesting Period 4 Years)	5,704	0	0	0
2010 Convertible Bonds Program (Vesting Period 4 Years)	32,051	6,010	0	0
2013 Convertible Bonds Program (Vesting Period 4 Years)	363,903	310,530	372,759	318,087
2011 Long-Term Incentive Program (Vesting Period 4 Years)	173,250	40,060	118,666	27,439
2012 Long-Term Incentive Program (Vesting Period 4 Years)	201,177	62,218	137,793	42,615
2013 Long-Term Incentive Program (Vesting Period 4 Years)	177,749	113,270	121,746	77,583
2014 Long-Term Incentive Program (Vesting Period 4 Years)	0	186,964	0	128,057
Total Stock-Based Compensation (IAS 24.17 (e))	953,834	719,052	750,964	593,781
Total Compensation	1,905,779	1,625,424	1,381,400	1,223,975

* The fair value was determined pursuant to the regulations of IFRS 2 “Share-based Payments”. This table shows the pro rata share of personnel expenses resulting from stock based compensation for the respective financial year. Further details can be found in Sections 7.1 and 7.3.

The Supervisory Board of MorphoSys AG does not hold any convertible bonds and performance shares.

The remuneration of the Management Board consists of fixed and variable components as well as other remuneration components. Following the expiration of the relevant contract term, the service contracts of the Management Board members stipulate a non-competition clause for a period of six months. During this period, the Management Board member is entitled to compensation payments amounting to 100 % of the pro rata fixed compensation.

In 2014, the total remuneration of the Supervisory Board, excluding reimbursement for travel costs, amounted to € 514,480 (2013: € 458,280).

While the remuneration of the Management Board and the Supervisory Board as members in key management positions is presented in accordance with the provisions of the Corporate Governance Code in the management report, the following tables show the expense-based view in accordance with IAS 24.

Dr. Arndt Schottelius Chief Development Officer		Dr. Marlies Sproll Chief Scientific Officer		Total	
2013	**2014**	**2013**	**2014**	**2013**	**2014**
279,531	289,335	279,531	289,335	1,250,642	1,294,507
29,143	32,508	21,579	22,828	145,992	118,502
244,590	215,208	244,590	210,144	1,094,313	970,319
553,264	537,051	545,700	522,307	2,490,947	2,383,328
78,294	86,653	78,170	86,628	346,862	385,877
78,294	86,653	78,170	86,628	346,862	385,877
6,337	0	2,577	0	14,618	0
17,988	3,373	17,988	3,373	68,027	12,756
249,243	212,687	249,243	212,687	1,235,148	1,053,991
118,666	27,439	118,666	27,439	529,248	122,377
137,793	42,615	137,793	42,615	614,556	190,063
121,746	77,583	121,746	77,583	542,987	346,019
0	128,057	0	128,057	0	571,135
651,773	491,754	648,013	491,754	3,004,584	2,296,341
1,283,331	1,115,458	1,271,883	1,100,689	5,842,393	5,065,546

SUPERVISORY BOARD REMUNERATION FOR THE YEARS 2014 AND 2013:

	Fixed Compensation		Attendance Fees		Total Compensation	
in €	2014	2013	2014	2013	2014	2013
Dr. Gerald Möller	97,400	94,400	38,000	32,000	135,400	126,400
Dr. Walter Blättler	46,160	43,160	25,200	17,000	71,360	60,160
Dr. Daniel Camus	46,160	43,160	23,200	19,500	69,360	62,660
Dr. Marc Cluzel	46,160	46,160	32,400	23,500	78,560	69,660
Karin Eastham	46,160	40,160	32,400	22,500	78,560	62,660
Dr. Geoffrey Vernon	57,240	57,240	24,000	19,500	81,240	76,740
TOTAL	**339,280**	**324,280**	**175,200**	**134,000**	**514,480**	**458,280**

In the years 2014 and 2013, there were no other long-term benefits in accordance with IAS 24.17 (c) or benefits upon termination of employment in accordance with IAS 24.17 (d) accruing to the Management Board or Supervisory Board.

There are presently no other agreements with current or former members of the Supervisory Board.

On 31 December 2014, the Senior Management Group held 169,050 convertible bonds (31 December 2013: 300,002 units), no stock appreciation rights (SARs) (31 December 2013: 15,000), and 91,807 performance shares (31 December 2013: 77,558), which were granted by the Company. In 2014, an additional long-term incentive program was granted to the Management Board and Senior Management Group. As part of this program, the Management Board and Senior Management Group were granted 18,264 and 14,249 performance shares, respectively. No stock options were exercised in 2014 (2013: 150,026 stock options). During the same period, 130,952 convertible bonds (2013: no convertible bonds) and 15,000 stock appreciation rights exercised (2013: no stock appreciation rights) were exercised. In 2014, there were no performance shares or convertible bonds forfeited because no beneficiaries had left MorphoSys.

8 Additional Notes

8.1 OBLIGATIONS ARISING FROM RENTAL, OPERATING LEASES, AND OTHER CONTRACTS

The Group leases facilities and equipment under long-term operating leases. In financial years 2014 and 2013, leasing expenses amounted to € 1,939,537 and € 1,795,316. Key leasing agreements mainly concerned leased buildings. The majority of these contracts can be renewed on a yearly or quarterly basis. Some of these agreements may be terminated prematurely.

Future minimum payments under non-terminable operating leases, insurance contracts, as well as other services are composed as follows.

in 000' €	Rent and Leasing 2014	Rent and Leasing 2013	Other 2014	Other 2013	Total 2014	Total 2013
Up to One Year	2,415	2,536	1,057	830	3,472	3,366
Between One and Five Years	3,142	2,690	5	27	3,147	2,717
More than Five Years	0	0	0	0	0	0
TOTAL	5,557	5,226	1,062	857	6,619	6,083

In financial years 2014 and 2013, total expenses for operating leases and insurance contracts as well as other services amounted to a total of € 3,556,243 and € 3,366,291, respectively.

In addition, the following future payments may become due from currently active, terminable contracts for outsourced studies. However, these amounts may be substantially lower due to the respective contractual clauses in the event of an early termination of the study.

in 000' €	Total 2014
Up to One Year	14,865
Between One and Five Years	53,056
More than Five Years	0
TOTAL	67,921

8.2 CONTINGENT ASSETS/CONTINGENT LIABILITIES

Contingent liabilities are potential obligations based on past events whose existence is confirmed only when one or more uncertain future events occur which are beyond the control of the Company. Current obligations may represent a contingent liability if there is not sufficient probability for an outflow of resources to justify the recognition of a provision. Moreover, it is not possible to make a sufficiently reliable estimate of the amount of the obligations.

The Management Board is unaware of any proceedings that may result in a significant obligation for the Group and may lead to a material adverse effect on the Group's net assets, financial position, and results of operations.

If certain milestones are achieved in the Proprietary Development segment, such as the application for an investigational new drug (IND) with regard to specific target molecules, this may trigger milestone payments to licensors. However, no further details can be published since the timing and the achievement of such milestones are uncertain.

If a partner achieves certain milestones in the Partnered Discovery segment, such as the application for an investigational new drug (IND) with regard to specific target molecules, or the transfer of a technology, this may trigger milestone payments to MorphoSys. However, no further details can be published since the timing and the achievement of such milestones are uncertain.

8.3 CORPORATE GOVERNANCE

The Group has submitted the Declaration of Conformity with the recommendations of the Government Commission on the German Corporate Governance Code for financial year 2014 pursuant to Sec. 161 of the German Stock Corporation Act (AktG). This declaration was published on 5 December 2014 on the Group's website (www.morphosys.com) and made permanently available to the public.

8.4 RESEARCH AND DEVELOPMENT AGREEMENTS

The Group has entered numerous research and development agreements as part of its proprietary research and development activities and its partnered research strategy.

8.4.1 PROPRIETARY DEVELOPMENT SEGMENT

In the Proprietary Development segment, partnerships are directed towards the objectives of the Group's proprietary drug development programs in its core areas of oncology and inflammatory diseases. These partnerships include (in alphabetical order): Celgene, Emergent Biosolutions, Galapagos, GlaxoSmithKline, Merck Serono, Temple University, and Xencor.

In June 2013, MorphoSys and Celgene Corporation announced a global agreement on the joint development of the MOR202 cancer program and its co-promotion in Europe. MOR202 is a fully human monoclonal antibody aimed at the CD38 target molecule for the treatment of multiple myeloma and other blood cancers. In 2013, the compound was in a phase 1/2a clinical trial in patients with relapsed/refractory multiple myeloma. MorphoSys and Celgene are co-promoting the further development of MOR202 for the treatment of multiple myeloma and other indications and share the development costs in a ratio of 1/3 to 2/3. This agreement provided for an upfront payment to MorphoSys in the amount of € 70.8 million, and Celgene acquired additional shares in MorphoSys amounting to € 46.2 million. As part of this cooperation, MorphoSys may receive additional development-related and regulatory and revenue-related milestones as well as tiered, double-digit royalties on net sales outside of the co-promotion activities carried out in select European markets. MorphoSys will receive 50 % of the revenues from the co-promotion activities carried out in select European markets.

In August 2014, MorphoSys and Emergent BioSolutions Inc. announced an agreement to jointly develop and commercialize the compound MOR209/ES414. This compound is a bi-specific anti-PSMA/anti-CD3 antibody targeting prostate cancer, which was developed by Emergent based on its proprietary ADAPTIR™ platform (modular protein technology). Under this agreement, MorphoSys received the promotion rights worldwide, with the exception of the USA and Canada where Emergent will retain promotion rights. Emergent received an upfront payment of US$ 20 million and is eligible to receive potential milestone payments of up to US$ 163 million. The milestone payments are linked to specific events, including the development of MOR209/ES414 in several indications as well as the approval in various markets. MorphoSys and Emergent will co-develop MOR209/ES414, with MorphoSys assuming 64 % of the development costs and Emergent assuming 36 % of the costs. Emergent will manufacture and supply clinical material from its manufacturing facilities in Baltimore, Maryland/USA. Emergent will receive low single-digit royalties on product sales in MorphoSys's sales regions and MorphoSys will receive tiered royalties ranging from the mid single-digits up to 20 % on product sales in Emergent's sales regions.

In November 2008, MorphoSys and Galapagos announced the beginning of a long-term joint drug discovery and development cooperation. The goal of the cooperation is to explore novel mechanisms for the treatment of inflammatory diseases and to develop antibody therapies against these diseases. The agreement covers all activities ranging from the probing of target molecules to the completion of clinical trials for novel therapeutic antibodies. Subsequent to the demonstration of clinical efficacy in humans, the programs will be out-licensed to partners for further development, approval, and commercialization. Both companies provided their core technologies and expertise within the scope of the alliance. Along with the use of its adenovirus-based platform for the exploration of new target molecules for the development of antibodies, Galapagos provided access to already identified target molecules that are associated with bone and joint diseases. MorphoSys provided access to its antibody technologies used for generating fully human antibodies directed against these target molecules. Under the terms of agreements, both Galapagos and MorphoSys bear the costs of research and development. In July 2014, the collaboration advanced into the preclinical development of MOR106, an antibody from MorphoSys' next-generation antibody library Ylanthia directed against a novel Galapagos target molecule. The antibody will be co-developed in the area of inflammatory diseases.

In June 2013, MorphoSys announced that it had entered into a global agreement with GlaxoSmithKline (GSK) to develop and commercialize MOR103. MOR103 is a proprietary HuCAL antibody from MorphoSys against the GM-CSF target molecule. Under the terms of the agreement, GSK assumes responsibility for the entire development and commercialization of MOR103. Under the agreement, MorphoSys received an immediate upfront payment of € 22.5 million. Depending on the achievement of certain developmental stages, as well as regulatory, commercial, and revenue-related milestones, MorphoSys is eligible to receive additional payments from GSK in the amount of up to € 423 million, as well as tiered double-digit royalties on net sales.

In June 2014, MorphoSys and Merck KGaA announced an agreement to identify and develop therapeutic antibodies against target molecules of the class of immune checkpoints. Under the agreement, both MorphoSys and Merck Serono, the biopharmaceutical division of Merck, aim to co-develop forms of therapies that are intended to prompt the immune system to attack tumors. MorphoSys will use its proprietary Ylanthia antibody library and other technology platforms to generate antibodies directed against the selected target molecules. Merck Serono is contributing its broad portfolio and expertise in the field of immuno-oncology and clinical development and will assume full project responsibility starting with phase 1 of clinical development.

In April 2014, MorphoSys agreed to a strategic partnership focused on the discovery of new therapeutic antibodies with the Moulder Center for Drug Discovery Research, a division of the School of Pharmacy at Temple University, USA. As part of the cooperation, the Moulder Center receives access to the Ylanthia technology from MorphoSys to validate new disease-related target molecules and to generate therapeutic antibodies directed against these molecules. MorphoSys receives an exclusive option to further develop each antibody resulting from the co-operation. The Moulder Center's department for new biotherapeutic drug discovery is involved with the design of compounds and the optimization of lead candidates in various disease areas including cancer, Alzheimer's disease, cardiovascular, metabolic and viral diseases.

In June 2010, MorphoSys AG and the US-based biopharmaceutical company, Xencor, signed an exclusive global licensing and cooperation agreement. Under this agreement, MorphoSys receives exclusive global licensing rights to the XmAb5574/MOR208 antibody for the treatment of cancer and other indications. The companies will jointly conduct a phase 1/2a trial in the US in patients with chronic lymphocytic leukemia. MorphoSys will be solely responsible for the further clinical development after the successful completion of the phase 1 clinical trial. Xencor received an upfront payment of US$ 13 million (about € 10.5 million) from MorphoSys, which was capitalized under in-licensed research programs. Xencor is entitled to development, regulatory, and commercially-related milestone payments as well as tiered royalties on product sales.

In November 2012, as the first activity under the Innovation Capital Initiative, MorphoSys announced a partnership with the privately-held biopharmaceutical company, Lanthio Pharma. The Dutch company specializes in the research and development of lanthipeptides. Lanthipeptides are an innovative class of therapeutic substances demonstrating high target molecule selectivity and improved compound properties. The LanthioPep technology of Lanthio Pharma is used to identify peptides that address the disease's specific point of attack and stabilize the peptides in the optimal conformation for binding them to this receptor. As part of their collaboration, MorphoSys and Lanthio Pharma jointly used their technologies to create high quality and diverse lanthipeptide libraries. In 2014, MorphoSys exercised its preferential rights to the exclusive in-licensing of the LanthioPep technology for compound discovery.

8.4.2 PARTNERED DISCOVERY SEGMENT

In its commercial partnerships in the Partnered Discovery segment, MorphoSys receives various types of payment which are spread over the term of the agreements or recognized in full as revenue when reaching a predefined target or milestone. These payments include upfront payments upon signature, annual license fees in exchange for access to MorphoSys's technologies, and payments for funded research to be performed by MorphoSys on behalf of the partner. In addition, MorphoSys is entitled to development-related milestone payments and royalties on product sales for specific antibody compound programs.

Prior to financial year 2014, active collaborations with a number of partners had already ended because the original term of the agreements had expired. However, drug development programs initiated in this active phase are designed so that they may continue at the partner's operations and thus result in performance-based payments for the achievement of the milestones defined. For more detailed information on individual drug candidates within the various alliances and limited to the information available to the public, please refer to the section of this annual report entitled the "Research and Development" and to the overview of the Group's drug pipeline. More detailed information on the Group's individual research alliances is available on the Group's website.

Partnerships in the Partnered Discovery segment which were dissolved before the beginning of 2014, but under which drug development programs were still being pursued, include (in alphabetical order): Astellas, Bayer HealthCare Pharmaceuticals, Boehringer Ingelheim, Daiichi-Sankyo, F. Hoffmann-La Roche, GPC Biotech, Immunogen, Janssen Biotech, Merck & Co., OncoMed Pharmaceuticals, Pfizer, Fibron Ltd. (transfer of the Prochon Biotech Ltd. agreement), and Schering-Plough (a subsidiary of Merck & Co.).

Partnerships that were still active in 2014 include (in alphabetical order): ContraFect, GeneFrontier Corporation/Kaneka, Heptares, and Novartis. Of these partnerships, the collaboration with ContraFect was terminated in 2014.

Since October 2013, MorphoSys has been involved in arbitration proceedings with ContraFect Corp. in relation to the contract concluded between the two companies in 2011. The proceedings, initiated by MorphoSys, have since led to an agreement and the termination of the license agreement as per 15 August 2014. As part of the agreement, under which both parties' outstanding receivables and claims have been settled, ContraFect made a payment to MorphoSys in the amount of € 1 million. This payment was made in the third quarter of 2014.

In February 2013, MorphoSys concluded an alliance with British Heptares Therapeutics Ltd. This cooperation should pave the way for novel therapeutic antibodies against membrane-constant G protein coupled-receptors (GPCRs). GPCRs are crucial for a variety of biological processes and diseases. The agreement involves both of the Group's segments. Under the terms of the agreement, Heptares will develop stabilized receptors (StaRs) as antigens for a set of GPCR target molecules proposed by MorphoSys. MorphoSys will subsequently apply its Ylanthia antibody library to develop therapeutic antibody compounds against these target molecules. Two such projects are currently in the early development phase. MorphoSys has the right to sublicense third parties the access to these target molecules in conjunction with therapeutic antibody programs. Heptares will receive upfront and research funding payments and will participate in MorphoSys's future revenues from related license agreements. Additionally, Heptares has the option to develop a therapeutic antibody against a proprietary GPCR target molecule based on MorphoSys's Ylanthia library. In this context, MorphoSys may receive license fees, milestone payments, and royalties.

Currently, the Group's most extensive alliance is with Novartis AG. Both parties started working together in 2004, which has led to the creation of several ongoing therapeutic antibody programs against a number of diseases. In December 2007, MorphoSys and Novartis significantly expanded their previous relationship and forged one of the most comprehensive strategic alliances in the discovery and development of biopharmaceuticals. The contractually guaranteed annual payments for technology access, internalization charges and R&D services amount to more than € 400 million over the contractual term of ten years. The total amount of guaranteed payments and probability-weighted performance-based milestones, contingent upon the successful clinical development and regulatory approval of several products, could exceed the threshold of € 650 million at the full contractual term of the successful collaboration. In addition to these payments, MorphoSys is also entitled to royalties and/or profit sharing on any future product sales.

In November 2012, MorphoSys and Novartis entered into a cooperation agreement on the use of the new Ylanthia technology platform. This extension of the existing strategic cooperation represents the start of the commercialization of Ylanthia and should produce improved antibody candidates that can be developed faster than previously possible.

8.5 SUBSEQUENT EVENTS

Subsequent to the end of financial year 2014, there have not been any significant changes in the industry environment. Other events having a material impact on the net assets, financial position, and results of operations have also not occurred since the end of the financial year.

8.6 RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge and in accordance with the applicable reporting principles, that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and results of operations of the Group, and that the Group Management Report includes a fair review of the development of the business including the results 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, 17 February 2015

S. E. Moroney

Dr. Simon Moroney
Chief Executive Officer

Jens Holstein
Chief Financial Officer

Dr. Arndt Schottelius
Chief Development Officer

Dr. Marlies Sproll
Chief Scientific Officer