

2ND INTERIM REPORT JANUARY – JUNE 2008



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Dear Shareholders,

During the first six months of 2008, MorphoSys demonstrated progress on multiple fronts. Mirroring this progress, Group Company revenues increased by 16%, from last year's €28.6 million to €3.3 million and operating profit more than doubled to €8.0 million.

On the therapeutic side of our business, significant progress was made. With regard to proprietary development activities the Company successfully concluded first dosing of its lead program MOR103 with no serious adverse events reported. Meanwhile, we expect that the clinical study continues according to plan and that the phase 1 study is on track to completion and final reporting in Q1 2009.

As announced earlier this year, we remain committed to add new programs to the existing proprietary projects MOR103 and MOR202. In that vein, during the first six months of the year, analysis and decisions have been made regarding the same. Emerging from this process, it was decided that the future growth of our proprietary pipeline will stem from three sources: *de novo* program starts based on our HuCAL technology, co-development projects and in-licensing activities relating to new programs.

To this end, we have further expanded our target sourcing network in the second quarter of the year and signed a research collaboration with the Leibniz-Institut für Molekulare Pharmakologie (FMP), Berlin. This agreement builds on relationships we have in place with leading, medically-focused research institutes in Japan and the U.S. and follows a pattern of similar deals: access to novel HuCAL GOLD-based research antibodies in exchange for commercialization rights for all antibodies emerging from the collaboration.

On the partnered side of the therapeutic business, the extension of another two alliances took place, namely with Schering-Plough and OncoMed. Both companies decided in favor of continuing our partnerships using pre-existing options to extend the contract until 2009 and 2010 respectively. Additionally, OncoMed decided in parallel to start two new therapeutic antibody development programs targeting cancer stem cells.

In corporate related matters, the Annual Shareholders' Meeting took place in Munich in May. The shareholders re-elected four of our Supervisory Board members, namely Dr. Gerald Möller, Dr. Daniel Camus, Dr. Metin Colpan and Dr. Geoffrey N. Vernon. Dr. Möller was reappointed as Chairman of the Supervisory Board.

Thank you for your continued interest and support of MorphoSys.

Sincerely yours,



Dave Lemus
Chief Financial Officer
MorphoSys AG

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

Industry Overview

Therapeutic antibodies remained one of the most active segments of the pharmaceutical industry. Antibody-related deal flow included Symphogen's and Genentech's partnership to develop recombinant polyclonal therapeutic antibodies to treat infectious diseases. In regards to mergers and acquisitions, Daiichi Sankyo acquired Germany's antibody development company U3 Pharma for € 150 million. Looking at product-development related newsflow Elan and Wyeth reported promising preliminary results from a Phase 2a trial of Bapineuzumab, a therapeutic antibody to treat Alzheimer's disease. Amgen's Denosumab, a therapeutic antibody to treat osteoporosis in postmenopausal women met the primary endpoint in a Phase 3 trial. Two further antibody drugs for rheumatoid arthritis – Actemra[®] from Roche and Humira[®] from Abbott – were approved in Japan. Cimzia[®], UCB's therapeutic antibody fragment for Crohn's disease was also approved by the FDA in the US.

The MorphoSys Share

During the second quarter biotech stocks held their own against challenging capital markets, with some of the major biotech indices finishing in positive territory. The NASDAQ Biotechnology increased by 1.6%, the DAXsubsector Biotechnology Performance Index by 1%, and the TecDAX showed no growth. During the quarter MorphoSys share price declined by 6%. By comparison, a basket of international peer antibody companies (Source: BioCentury) fell by 24%.

Financial Analysis

Revenues

Compared to the same period in the previous year, Group revenues increased by 16% to € 33.3 million in the first six months of 2008 (H1 2007: € 28.6 million). This increase is due to higher levels of funded research and licensing fees. Revenues arising from the Therapeutic Antibodies segment accounted for 73% or € 24.3 million (H1 2007: € 18.7 million) of total revenues while the AbD segment generated 27% (€ 9.0 million) of the total (H1 2007: € 9.9 million).

Geographically, 18%, or € 6.1 million, of MorphoSys commercial revenues were generated with biotechnology and pharmaceutical companies or non-profit organizations located in North America and 82%, or € 27.2 million, with companies located mainly in Europe and Asia. This compares to 42% and 58%, respectively, in the same period of the prior year, in part reflecting the increasing importance of Novartis partnership to Company revenues and increasing amounts arising from Japanese partnerships.

Therapeutic Antibodies Segment

Revenues arising from the Therapeutic Antibodies segment comprised €21.6 million in funded research and licensing fees (H1 2007: €14.7 million) as well as €2.7 million success-based payments (H1 2007: €4.0 million), representing 11% of total therapeutic antibodies revenues. Approximately 86% of therapeutic antibodies revenues and 62% of total revenues arose from the Company's three largest alliances with Novartis, Daiichi Sankyo and Merck (H1 2007: Novartis, Centocor and Pfizer, 66% and 43%, respectively).

Assuming constant foreign exchange rates at the average rate of 2007, revenues in the Therapeutic Antibodies segment would have remained unchanged at €24.3 million.

Antibodies Direct – AbD Segment

Compared to the same period in the previous year, AbD segment's revenues decreased by 9%, or €0.9 million, to €9.0 million in 2008 (H1 2007: €9.9 million). The main reasons for the decline in sales included adverse foreign exchange effects, and weaker than expected markets for research antibodies. Assuming constant foreign exchange rates at the average rate for 2007, revenues in the AbD segment would have amounted to €9.8 million.

The largest part of revenues (approx. 81% or €7.3 million), was generated with catalog and industrial customers, while custom manufacture antibodies contributed 19% or €1.7 million.

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

Operating Expenses

Compared to the first six months of 2007, total operating expenses slightly increased by approximately 1% to €25.3 million in H1 2008 (H1 2007: €25.1 million). The change in operating expenses of €0.2 million was mainly impacted by research and development (R&D) expenses increasing by 10% or €1.0 million which was offset by cost of goods sold (COGS) decreasing from €4.2 million to €3.5 million as well as by sales, general and administrative (S, G&A) expenses decreasing from €10.5 million to €10.2 million. Total purchase price allocation (PPA) effects on operating profit amounted to €0.4 million (H1 2007: €0.7 million).

Stock-based compensation expenses are embedded in COGS, S, G&A and R&D expense amounts. Stock-based compensation for the first six months of 2008 amounted to €0.6 million (H1 2007: €0.7 million) and is a non-cash charge.

Cost of Goods Sold

COGS is composed of the AbD segment's cost of goods sold in the first six months of 2008 and – compared to the same period of the prior year – decreased from €4.2 million to €3.5 million. The decline in COGS is mainly a result of lower sales levels. Additionally, acquired inventories from our Biogenesis and Serotec acquisitions are now fully depreciated.

Research and Development Expenses

Expenses for research and development increased by €1.0 million to €11.5 million (H1 2007: €10.5 million). This was mainly due to higher personnel costs in the Therapeutic Antibodies segment mainly associated with increases in proprietary drug development and partnered activities (H1 2008: €5.1 million; H1 2007: €4.1 million) and increased costs for intangibles in connection with the patent portfolio in-licensed from Dyax in 2007 (H1 2008: €2.9 million;

H1 2007: €2.1 million). This increase was partly offset by lower costs for external services (H1 2008: €1.1 million; H1 2007: €1.8 million), namely external lab funding. The two proprietary products currently being developed by MorphoSys are MOR103 and MOR202.

In the first six months of 2008, the Company incurred costs for proprietary product development and technology development in the amount of €2.0 million and €0.3 million, respectively (H1 2007: €2.0 million and €0.6 million, respectively).

Sales, General and Administrative Expenses

Compared to the same period of the previous year, sales, general and administrative expenses slightly decreased by €0.3 million to €10.2 million (H1 2007: €10.5 million). This decrease resulted mainly from lower costs for marketing and stock-based compensation in the AbD segment.

Cost by Expenditure Type

In the first six months of 2008, personnel costs (excluding stock-based compensation) amounted to €10.4 million (H1 2007: €9.4 million) or 41% of total operating expenses, thus representing the largest cost block within operating expenses.

Costs for intangibles, representing the second-largest block by cost type, accounted for €4.1 million (H1 2007: €3.2 million) or 16% of total operating expenses and mainly consisted of expenses for licenses (H1 2008: €2.0 million; H1 2007: €1.7 million), amortization of licenses capitalized (H1 2008: €1.2 million; H1 2007: €0.6 million) as well as amortization of intangible assets identified in connection with the PPAs for Biogenesis and Serotec (H1 2008: €0.3 million; H1 2007: €0.4 million).

Expenses for external services amounted to €3.3 million (H1 2007: €4.0 million) or 13% of total operating expenses and mainly included consulting fees (H1 2008: €1.4 million; H1 2007: €1.0 million) and external lab funding (H1 2008: €0.9 million; H1 2007: €1.7 million).

Non-operating Items

For the first six months of 2008, non-operating income amounted to €1.1 million (H1 2007: €0.2 million) and mainly changed as a result of increased interest income and increased gains from marketable securities. Profit before taxes amounted to €9.1 million (H1 2007: €3.7 million).

Taxes

For the first six months of 2008, the Company reported income tax expenses in the amount of €2.8 million. This line item mainly included deferred tax expenses (€1.8 million) from the release of deferred tax assets capitalized in 2007, and current tax expenses (€1.1 million). These tax expenses were partly offset by deferred tax income (€0.1 million) resulting from the amortization of deferred tax liabilities in connection with previous acquisitions.

Operating Profit / Net Profit

Group operating profit for the first half of 2008 amounted to €8.0 million (H1 2007: €3.5 million). Earnings before interest and taxes (EBIT) amounted to €8.4 million, compared to an EBIT of €3.5 million in the first six months of the previous year. The Therapeutic Antibodies segment accounted for an operating profit of €12.0 million (H1 2007: €8.1 million) whereas the operating profit for the AbD segment amounted to €0.2 million (H1 2007: loss €0.7 million).

A net profit after taxes of €6.3 million was achieved in the first six months of 2008, compared to a net profit after taxes of €2.0 million in the first half of 2007. The resulting basic net profit per share for H1 2008 amounted to €0.85 (H1 2007: €0.30).

Liquidity / Cash Flows

Cash inflow from operations in the first six months of 2008 amounted to €18.0 million (H1 2007: €4.2 million).

Moreover, as of June 30, 2008, the Company held €126.4 million in cash, cash equivalents and available-for-sale financial assets, compared to a year end 2007 balance of €106.9 million.

Assets

Total assets rose by €11.2 million to €195.9 million as of June 30, 2008, compared to €184.7 million as of December 31, 2007. Current assets increased by €15.7 million mainly as a result of the purchase and valuation of available-for-sale financial assets (€17.5 million), and the increase in cash and cash equivalents (€2.0 million) which was partly offset by the decrease in accounts receivable by €5.0 million.

Compared to December 31, 2007, non-current assets decreased by €4.4 million mainly as a consequence of the amortization of deferred tax assets capitalized in 2007 (€1.8 million) as well as of the amortization of licenses (€1.1 million) and know-how and customer lists (€0.6 million).

Liabilities

In the first six months of 2008, current liabilities decreased from €29.4 million as of December 31, 2007, to €26.9 million as of June 30, 2008. This change primarily arose from a decrease in accounts payable (€4.7 million) as a result of payments after the year end 2007 balance sheet date which was partly offset by an increase in current deferred revenue by €1.7 million.

Non-current liabilities increased by €6.3 million to €16.1 million in the first half of 2008 which was mainly impacted by an increase in non-current deferred revenue by €6.4 million resulting from contracts signed in the current year and in previous years.

Equity

Total stockholders' equity amounted to €152.9 million as of June 30, 2008, compared to €145.5 million as of December 31, 2007.

As of June 30, 2008, the total number of shares issued amounted to 7,426,818 of which 7,400,186 were outstanding, compared to 7,386,753 and 7,360,021 as of December 31, 2007, respectively.

The increase of shares outstanding by 40,065 shares arose from the conversion of bonds as well as from exercised options issued to members of the Management Board and to employees. In addition, 100 options have been exercised in shares provided by treasury stock. Treasury shares were reduced accordingly, amounting to 26,632 as of June 30, 2008.

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

Capital Expenditure

MorphoSys's investment in property, plant and equipment amounted to €0.4 million for the six-month period ended June 30, 2008, and decreased by €0.3 million compared to the same period of the prior year. Depreciation of property, plant and equipment for the first six months of 2008 accounted for €0.7 million, compared to €0.7 million in the first half of 2007.

During the first six months of 2008, the Company invested €0.3 million in intangible assets (H1 2007: €0.6 million). Amortization of intangibles amounted to €1.9 million and increased by €0.5 million in comparison to the first six months of 2007, mainly due to the amortization of license fees.

Organization

MorphoSys has rented additional laboratory and office space in very close proximity to its Headquarters in Martinsried, Munich, in order to meet the growing demands of its R&D organization.

The new premises contain approximately 1,500 square metres of additional laboratory and office space, to accommodate up to 45 extra persons. It is anticipated that the new premises will be ready for occupancy in August 2008 at which time MorphoSys intends to move in.

Legal / AGM

At the ordinary Annual Shareholders' Meeting on May 14, 2008, the shareholders re-elected four Supervisory Board members, namely Dr. Gerald Möller, Dr. Daniel Camus, Dr. Metin Colpan and Dr. Geoffrey N. Vernon. Dr. Möller was reappointed as Chairman of the Supervisory Board.

In addition to the confirmation of the appointments to the Supervisory Board, all other management proposals put to vote were passed at the meeting.

As part of the shareholder assembly agenda, the shareholders approved a three-for-one share split, but due to a pending complaint, the execution is currently on hold.

Human Resources

Number and Qualification of Employees

On June 30, 2008 the MorphoSys Group employed 310 people (December 31, 2007: 295). On average, the MorphoSys Group employed 299 people for the first six months of 2008 (H1 2007: 287).

Of the 310 employees, 113 people were employed in MorphoSys's subsidiaries on June 30, 2008, and on average, 108 were employed (H1 2007: 111 and 108, respectively).

Of the 310 employees, 172 worked in research and development and 138 in sales, general and administration (December 31, 2007: 164 and 131, respectively).

On June 30, 2008, 80 of MorphoSys's employees had a Ph.D. degree (December 31, 2007: 75).

Of the 310 employees, 178 worked for the Therapeutic Antibodies segment and 132 for the AbD segment (December 31, 2007: 167 and 128, respectively).

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

Business Development

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

Therapeutic Antibodies Segment

In December 2007, MorphoSys signed a broad strategic collaboration with Novartis, thereby making Novartis MorphoSys's largest partner for HuCAL-based drug discovery. However, MorphoSys continues to work closely with its other existing partners, whose collaborations will run their course over the duration of the respective agreements.

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

Expansion of Alliances with Schering-Plough and OncoMed

In May and June 2008, MorphoSys announced that Schering-Plough and OncoMed have triggered their pre-existing options to extend their current collaboration with MorphoSys.

Schering-Plough Corporation has decided to extend the current collaboration with MorphoSys for one year. The collaboration, announced in May 2006, has a maximum term of 5 years until 2011 and may be extended by Schering-Plough after each year. Under the agreement, Schering-Plough will continue to have access to MorphoSys's proprietary antibody library HuCAL GOLD at its research site in Palo Alto, California, the location of Schering-Plough Biopharma, an affiliate of Schering-Plough Research Institute. Furthermore, the contract provides Schering-Plough with the option to develop and commercialize HuCAL-derived therapeutic antibodies, in which case MorphoSys would receive exclusive license fees, milestone payments, as well as royalties. Under the extended agreement MorphoSys continues to receive annual user fees for access to its HuCAL platform.

The collaboration with OncoMed Pharmaceuticals, Inc., originally signed in June 2006, will now run its full term. Under the extended agreement, which now runs until June 2010, MorphoSys continues to grant OncoMed access to its proprietary antibody library HuCAL GOLD for the use in the research and development of human therapeutic antibodies for the treatment of various cancers by targeting cancer stem cells. The extended agreement includes annual user fees to MorphoSys for OncoMed's access to the HuCAL platform. Additionally, OncoMed has initiated two therapeutic antibody development programs targeting cancer stem cells. The two-year extension includes an option for OncoMed to develop and commercialize up to 3 additional HuCAL-derived

therapeutic antibodies. In all cases MorphoSys stands to receive exclusive license fees, milestone payments, as well as royalties on end products.

AbD Segment

Research Partnership with the Leibniz-Institut für Molekulare Pharmakologie

In April 2008, MorphoSys announced an alliance with the Leibniz-Institut für Molekulare Pharmakologie (FMP), Berlin, which further broadens MorphoSys's target sourcing network. Under the terms of the agreement, the FMP will receive access to novel HuCAL GOLD-based research antibodies from MorphoSys's AbD Serotec unit to identify and validate target molecules with potential medical applications. MorphoSys retains commercialization rights for all antibodies emerging from the collaboration both as research antibody tools distributed via the AbD Serotec sales catalogue as well as in therapeutic or diagnostic applications.

Research & Development / Alliance Management

Progress Proprietary Pipeline

MOR103

In April 2008, MorphoSys announced the completion of a first dosing regimen in a phase 1 clinical study on healthy volunteers of the HuCAL-derived antibody MOR103 with no adverse events reported. Six healthy volunteers in the first dosing group have been enrolled and received MOR103 injections, while three volunteers received placebo. The safety review of the medical data from the lowest dosing group yielded a determination that it was safe to proceed with the second dosing group. The randomized, double-blind, placebo-controlled, single-ascending dose trial will be conducted in approx. 50 healthy volunteers and is being conducted in a Clinical Pharmacology Unit (CPU) in Utrecht, the Netherlands. The trial is scheduled to be finalized in 2008 and final reporting is expected in Q1 2009.

Strategy: Expansion of Proprietary Product Pipeline

As announced earlier this year, MorphoSys remains committed to adding new programs to the existing proprietary projects MOR103 and MOR202. In that vein, during the first six months of the year, analysis and decisions have been made regarding the same. Emerging from this process, it was decided that the future growth of the Company's proprietary pipeline will stem from three sources: de novo program starts based on our HuCAL technology, co-development projects and in-licensing activities relating to new programs.

Progress Partnered Pipeline

During the second quarter of 2008, no new programs were started. The two exclusive licenses acquired by OncoMed are not yet part of this calculation. MorphoSys's existing partnered therapeutic antibody pipeline currently comprises 54 programs in total (up from 50 at the beginning of the year), of which currently 4 are in phase 1 clinical development, 27 in pre-clinical development, and 23 in research.

Risk and Opportunity Report

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

Outlook

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

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Consolidated Statement of Operations (IFRS)

	Note	Three Months Ended 06/30/2008 €	Three Months Ended 06/30/2007 €	Six Months Ended 06/30/2008 €	Six Months Ended 06/30/2007 €
Revenues		16,976,707	14,486,969	33,255,806	28,606,728
Operating Expenses					
Cost of Goods Sold	2	1,846,936	1,449,224	3,526,634	4,170,244
Research and Development		6,212,855	5,626,921	11,529,656	10,489,464
Sales, General and Administrative		4,986,826	5,288,466	10,209,658	10,477,212
Total Operating Expenses		13,046,617	12,364,611	25,265,948	25,136,920
Profit from Operations		3,930,090	2,122,358	7,989,858	3,469,808
Interest Income		353,204	193,200	714,418	211,511
Interest Expense		1,617	2,293	3,234	5,259
Other Income / (Expenses), Net		155,395	(158,004)	390,616	25,461
Profit before Taxes		4,437,072	2,155,261	9,091,658	3,701,521
Income Tax Expense		1,400,221	759,584	2,790,260	1,665,770
Net Profit		3,036,851	1,395,677	6,301,398	2,035,751
Basic Net Profit per Share		0.41	0.20	0.85	0.30
Diluted Net Profit per Share		0.41	0.20	0.85	0.29
Shares Used in Computing Basic Net Profit per Share		7,391,514	7,023,836	7,377,796	6,880,800
Shares Used in Computing Diluted Net Profit per Share		7,446,823	7,128,545	7,432,366	6,991,914

See accompanying notes to the Consolidated Financial Statements

Consolidated Balance Sheet (IFRS)

Note	June 30, 2008 €	December 31, 2007 €
ASSETS		
Current Assets		
Cash and Cash Equivalents	50,378,886	48,407,064
Available-for-sale Financial Assets	76,031,621	58,491,852
Accounts Receivable	4,520,154	9,461,832
Income Tax Receivables	1,268,225	1,023,762
Other Receivables	165,651	138,903
Inventories, Net	4,118,343	3,833,208
Prepaid Expenses and Other Current Assets	1,799,773	1,163,521
Assets Classified as Held for Sale	267,582	346,330
Total Current Assets	138,550,235	122,866,472
Non-current Assets		
Property, Plant and Equipment, Net	3,769,344	4,229,043
Patents, Net	1,403,665	1,594,749
Licenses, Net	15,326,380	16,430,881
Software, Net	585,115	632,453
Know-how and Customer Lists, Net	3,118,455	3,686,512
Goodwill	26,902,810	26,953,864
Investment Property	1,471,745	1,602,558
Deferred Tax Asset	3,149,498	4,948,435
Prepaid Expenses and Other Assets, Net of Current Portion	1,656,820	1,767,579
Total Non-current Assets	57,383,832	61,846,074
Total Assets	195,934,067	184,712,546

See accompanying notes to the Consolidated Financial Statements

Note	June 30, 2008 €	December 31, 2007 €
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	8,745,682	13,440,778
Current Portion of Licenses Payable	164,337	131,326
Tax Liabilities	947,964	476,548
Current Portion of Deferred Revenue	17,022,583	15,345,863
Total Current Liabilities	26,880,566	29,394,515
Non-current Liabilities		
Provisions, Net of Current Portion	62,763	62,763
Deferred Revenue, Net of Current Portion	13,359,671	7,049,474
Convertible Bonds Due to Related Parties	80,185	79,065
Deferred Tax Liability	2,634,121	2,589,280
Total Non-current Liabilities	16,136,740	9,780,582
Stockholders' Equity		
Common Stock, €3.00 Par Value;		
Ordinary Shares Authorized (12,729,785 and 12,729,785 for 2008 and 2007, respectively)		
Ordinary Shares Issued (7,426,818 and 7,386,753 for 2008 and 2007, respectively)		
Ordinary Shares Outstanding (7,400,186 and 7,360,021 for 2008 and 2007, respectively)		
Treasury Stock (26,632 and 26,732 shares for 2008 and 2007, respectively), at Cost	3 22,270,680	22,150,448
Additional Paid-in Capital	3 156,305,421	155,376,343
Accumulated Other Comprehensive Income	1,887,514	1,858,910
Accumulated Deficit	(27,546,854)	(33,848,252)
Total Stockholders' Equity	152,916,761	145,537,449
Total Liabilities and Stockholders' Equity	195,934,067	184,712,546

See accompanying notes to the Consolidated Financial Statements

Consolidated Statement of Changes in Stockholders' Equity (IFRS)

	Common Stock	
	Shares	€
Balance as of January 1, 2007	6,715,322	20,145,966
Result Incurred Through Restructuring of Affiliates	-	-
Compensation Related to the Grant of Stock Options and Convertible Bonds	-	-
Exercise of Options and Convertible Bonds Issued to Related Parties, Net of Issuance Cost of €9,350 (Net of Deferred Tax)	9,380	28,140
Exercise of Options from Treasury Stock Issued to Related Parties	-	-
Capital Increase against Contribution in Kind, Net of Issuance Cost of €1,054,860 (Net of Deferred Tax)	652,188	1,956,564
Reserves:		
Change in Unrealized Gain on Available-for-sale Securities, Net of Deferred Tax	-	-
Effects from Equity-related Recognition of Deferred Taxes	-	-
Foreign Currency Loss from Consolidation	-	-
Net Profit for the Period	-	-
Comprehensive Income	-	-
Balance as of June 30, 2007	7,376,890	22,130,670
Balance as of January 1, 2008	7,386,753	22,160,259
Compensation Related to the Grant of Stock Options and Convertible Bonds	-	-
Exercise of Options and Convertible Bonds Issued to Related Parties Net of Issuance Cost of €15,500	40,065	120,195
Reserves:		
Change in Unrealized Gain on Available-for-sale Securities, Net of Deferred Tax	-	-
Effects from Equity-related Recognition of Deferred Taxes	-	-
Foreign Currency Loss from Consolidation	-	-
Net Profit for the Period	-	-
Comprehensive Income	-	-
Balance as of June 30, 2008	7,426,818	22,280,454

See accompanying notes to the Consolidated Financial Statements

Treasury Stock		Additional Paid-in Capital	Revaluation Reserve	Translation Reserve	Accumulated Deficit	Total Stock- holders' Equity
Shares	€	€	€	€	€	€
29,162	(10,703)	123,878,001	1,066,790	293,158	(45,321,893)	100,051,319
-	-	-	-	-	(1,389)	(1,389)
-	-	733,420	-	-	-	733,420
-	-	348,935	-	-	-	377,075
(2,430)	892	-	-	-	-	892
-	-	29,597,976	-	-	-	31,554,540
-	-	-	816,577	-	-	816,577
-	-	-	(140,742)	-	-	(140,742)
-	-	-	-	(56,179)	-	(56,179)
-	-	-	-	-	2,035,751	2,035,751
-	-	-	675,835	(56,179)	2,035,751	2,655,407
26,732	(9,811)	154,558,332	1,742,625	236,979	(43,287,531)	135,371,264
26,732	(9,811)	155,376,343	2,241,328	(382,418)	(33,848,252)	145,537,449
-	-	586,296	-	-	-	586,296
(100)	37	342,782	-	-	-	463,014
-	-	-	851,687	-	-	851,687
-	-	-	(119,567)	-	-	(119,567)
-	-	-	-	(703,516)	-	(703,516)
-	-	-	-	-	6,301,398	6,301,398
-	-	-	732,120	(703,516)	6,301,398	6,330,002
26,632	(9,774)	156,305,421	2,973,448	(1,085,934)	(27,546,854)	152,916,761

Consolidated Statement of Cash Flows (IFRS)

For the Period Ended June 30,	Note	2008 €	2007 €
Operating Activities			
Net Profit		6,301,398	2,035,751
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities:			
Non-cash Charges from PPA		66,937	276,029
Depreciation and Amortization of Tangible and Intangible Assets		2,614,930	2,125,025
Income Tax Benefit		(125,460)	(234,483)
Net Gain on Sales of Financial Assets		(618,460)	(31,396)
Unrealized Net Gain on Derivative Financial Instruments		(122,107)	(68,473)
Loss on Sale of Property, Plant and Equipment		24,741	22,435
Recognition of Deferred Revenue		(16,223,416)	(14,498,123)
Stock-based Compensation		586,297	722,531
Changes in Operating Assets and Liabilities:			
Accounts Receivable		4,822,785	(3,109,050)
Prepaid Expenses, Other Assets and Tax Receivables		(360,814)	94,489
Accounts Payable and Provisions		853,548	(1,606,075)
Licenses Payable		33,011	(14,526)
Other Liabilities		(4,369,563)	(882,570)
Deferred Revenue		24,210,332	19,517,093
Cash Generated from Operations		17,694,159	4,348,657
Interest Paid		-	(2,265)
Interest Received		714,779	213,082
Income Taxes Paid		(437,611)	(353,494)
Net Cash Provided by Operating Activities		17,971,327	4,205,980

See accompanying notes to the Consolidated Financial Statements

For the Period Ended June 30,	Note	2008 €	2007 €
Investing Activities:			
Purchases of Financial Assets		(23,680,527)	(10,205,658)
Proceeds from Sales of Financial Assets		7,738,776	4,746,517
Purchases of Property, Plant and Equipment		(411,847)	(703,734)
Proceeds from Disposals of Property, Plant and Equipment		3,403	24,804
Additions to Intangibles		(317,085)	(551,943)
Net Cash Used in Investing Activities		(16,667,280)	(6,690,014)
Financing Activities:			
Proceeds from the Issuance of Equity		-	32,609,400
Proceeds from the Exercise of Options and Convertible Bonds Granted to Related Parties		478,514	387,317
Net of Proceeds and Payments from the Issuance of Convertible Bonds Granted to Related Parties		1,120	45,267
Purchases of Derivative Financial Instruments		(75,000)	(91,500)
Proceeds from the Disposal of Derivative Financial Instruments		170,359	121,993
Net Cost of Share Issuance		(15,500)	(1,064,210)
Net Cash Provided by Financing Activities		559,493	32,008,267
Effect of Exchange Rate Differences on Cash		108,282	12,506
Increase in Cash and Cash Equivalents		1,971,822	29,536,739
Cash and Cash Equivalents at the Beginning of the Period		48,407,064	3,765,320
Cash and Cash Equivalents at the End of the Period		50,378,886	33,302,059

See accompanying notes to the Consolidated Financial Statements

Notes to the Interim Consolidated Financial Statements

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

The consolidated financial statements for the period ended June 30, 2008, include MorphoSys AG, MorphoSys IP GmbH, MorphoSys USA, Inc., MorphoSys UK Ltd. (former Serotec Ltd.), MorphoSys US, Inc. (former Serotec, Inc.), MorphoSys AbD GmbH (former Serotec GmbH), Oxford Biotechnology Ltd. and Poole Real Estate Ltd. (former Biogenesis UK Ltd.), together referred to as the "Group".

1 Changes in Accounting Policies

The accounting policies applied for the financial statements as of December 31, 2007, have been used throughout the first six months of 2008.

German Corporation Tax Reform 2008

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

2 Segment Reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services and that is subject to risks and returns that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Intersegment pricing is determined on an arm's length basis according to the Group transfer pricing policy.

The Group consists of the following two main business segments:

Therapeutic Antibodies

MorphoSys possesses one of the leading technologies in the generation of human antibody therapeutics and bespoke antibody research projects. The Company makes use of its technology in collaborations with international pharmaceutical and biotechnology companies as well as on its own account.

Antibodies Direct — ABD

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

Geographical Segments

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

For the Six Months Period Ended June 30,	Therapeutic Antibodies		AbD		Unallocated		Elimina- tion	Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2008	2007
(in 000's €)									
Revenues, total	24,704	18,708	8,984	9,899	-	-	(432)	33,256	28,607
External Revenues	24,704	18,708	8,552	9,899	-	-	-	33,256	28,607
Intersegment Revenues	-	-	432	-	-	-	(432)	-	-
Total Operating Expenses	12,655	10,595	8,807	10,613	4,236	3,929	(432)	25,266	25,137
Cost of Goods Sold	-	-	3,527	4,170	-	-	-	3,527	4,170
Other Operating Expenses	12,223	10,595	5,280	6,443	4,236	3,929	-	21,739	20,967
Intersegment Costs	432	-	-	-	-	-	(432)	-	-
Segment Result	12,049	8,113	177	(714)	(4,236)	(3,929)	-	7,990	3,470
Interest Income	-	-	-	-	-	-	-	714	212
Interest Expense	-	-	-	-	-	-	-	3	5
Other Income/ (Expense), Net	-	-	-	-	-	-	-	390	25
Profit before Taxes	-	-	-	-	-	-	-	9,091	3,702
Income Tax Expense	-	-	-	-	-	-	-	2,790	1,666
Net Profit	-	-	-	-	-	-	-	6,301	2,036

For the Three Months Period Ended June 30, (in 000's €)	Therapeutic Antibodies		AbD		Unallocated		Elimina- tion	Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2008	2007
Revenues, total	12,541	9,939	4,667	4,548	-	-	(231)	16,977	14,487
External Revenues	12,541	9,939	4,436	4,548	-	-	-	16,977	14,487
Intersegment Revenues	-	-	231	-	-	-	(231)	-	-
Total Operating Expenses	6,632	5,552	4,529	4,796	2,117	2,017	(231)	13,047	12,365
Cost of Goods Sold	-	-	1,847	1,449	-	-	-	1,847	1,449
Other Operating Expenses	6,401	5,552	2,682	3,347	2,117	2,017	-	11,200	10,916
Intersegment Costs	231	-	-	-	-	-	(231)	-	-
Segment Result	5,909	4,387	138	(248)	(2,117)	(2,017)	-	3,930	2,122
Interest Income	-	-	-	-	-	-	-	353	193
Interest Expense	-	-	-	-	-	-	-	1	2
Other Income/ (Expense), Net	-	-	-	-	-	-	-	155	(158)
Profit before Taxes	-	-	-	-	-	-	-	4,437	2,155
Income Tax Expense	-	-	-	-	-	-	-	1,400	759
Net Profit	-	-	-	-	-	-	-	3,037	1,396

A segment result is defined as segment revenues less operating segment expenses. As a compensation for therapeutic revenues generated from contracts that had been originally initiated by the AbD segment, the Therapeutic Antibodies segment granted a compensatory fee of €0.4 million to the AbD segment for the first six months of 2008 as a result of the revenue sharing agreement established between the two segments in 2007.

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

For the Period Ended June 30, (in 000's €)	2008	2007
Europe and Asia	26,321	16,097
USA and Canada	6,076	11,871
Other	859	639
Total	33,256	28,607

3 Changes in Stockholders' Equity

Common Stock

On June 30, 2008, the common stock of the Company amounted to €22,280,454 (December 31, 2007: €22,160,259). Through the conversion and exercise of 40,065 convertible bonds and options issued to management and employees, common stock increased by €120,195 in the first six months of 2008. The reduction in treasury stock was due to exercises of options. Treasury stock amounted to €9,774 as of June 30, 2008 (December 31, 2007: €9,811).

Additional Paid-in Capital

On June 30, 2008, additional paid-in capital amounted to €156,305,421 (December 31, 2007: €155,376,343). The total increase of €929,078 is due to stock-based compensation in the amount of €586,296 including the equity portion of convertible bonds granted. A further increase of €342,782 arose from the exercise and conversion of convertible bonds and stock options issued to related parties.

4 Changes in Convertible Bonds and Stock Options

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

5 Directors' Dealings

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

Shares

	01/01/08	Additions	Forfeitures	Sales	30/06/08
Management Board					
Dr. Simon E. Moroney ¹	113,461	22,000	-	-	135,461
Dave Lemus ²	100	-	-	-	100
Dr. Marlies Sproll	35	-	-	-	35
Total	113,596	22,000	-	-	135,596
Supervisory Board					
Dr. Gerald Möller	2,500	-	-	-	2,500
Prof. Dr. Jürgen Drews	2,430	-	-	-	2,430
Dr. Walter Blättler	673	-	-	-	673
Dr. Daniel Camus	-	-	-	-	-
Dr. Metin Colpan	-	-	-	-	-
Dr. Geoffrey N. Vernon	-	-	-	-	-
Total	5,603	-	-	-	5,603

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

2) Held by his spouse

Stock Options

	01/01/08	Additions	Forfeitures	Exercises	30/06/08
Management Board					
Dr. Simon E. Moroney ¹	83,000	36,815	-	22,000	97,815
Dave Lemus	48,000	22,089	-	-	70,089
Dr. Marlies Sproll	26,250	22,089	-	-	48,339
Total	157,250	80,993	-	22,000	216,243
Supervisory Board					
Dr. Gerald Möller	-	-	-	-	-
Prof. Dr. Jürgen Drews	-	-	-	-	-
Dr. Walter Blättler	-	-	-	-	-
Dr. Daniel Camus	-	-	-	-	-
Dr. Metin Colpan	-	-	-	-	-
Dr. Geoffrey N. Vernon	-	-	-	-	-
Total	-	-	-	-	-

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

Convertible Bonds

	01/01/08	Additions	Forfeitures	Exercises	30/06/08
Management Board					
Dr. Simon E. Moroney	11,248	-	-	-	11,248
Dave Lemus	9,373	-	-	-	9,373
Dr. Marlies Sproll	7,500	-	-	-	7,500
Total	28,121	-	-	-	28,121
Supervisory Board					
Dr. Gerald Möller	-	-	-	-	-
Prof. Dr. Jürgen Drews	-	-	-	-	-
Dr. Walter Blättler	-	-	-	-	-
Dr. Daniel Camus	-	-	-	-	-
Dr. Metin Colpan	-	-	-	-	-
Dr. Geoffrey N. Vernon	-	-	-	-	-
Total	-	-	-	-	-

6 Transactions with Related Parties

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

7 Review

The interim consolidated financial statements and this interim report as of June 30, 2008, have been subject to a review by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, München.

Responsibility Statement

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

Martinsried/Planegg, July 25, 2008

Dr. Simon E. Moroney
Chief Executive Officer

Dave Lemus
Chief Financial Officer

Dr. Marlies Sproll
Chief Scientific Officer

Review Report

To MorphoSys Aktiengesellschaft, Martinsried/Planegg

We have reviewed the condensed interim consolidated financial statements - comprising the balance sheet, the income statement, cash flow statement, statement of changes in equity and selected explanatory notes - together with the interim group management report of the MorphoSys Aktiengesellschaft, Martinsried/Planegg, for the period from January 1 to June 30, 2008 that are part of the semi annual financial report according to § 37 w WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, July 25, 2008

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Maurer
Wirtschaftsprüfer

Rahn
Wirtschaftsprüfer

Imprint

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This interim report is also published in German and is available for download from our website.

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