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Wednesday 1st of September 2004 8:00

[MorphoSys Reports third quarter 2004 results. Company expects to obtain profitability by 2005](#)

Martinsried/Munich, October 28, 2004 MorphoSys AG (Frankfurt Stock Exchange: MOR; Prime Standard Segment, TecDAX) today reported financial results for the first nine months ending September 30, 2004. Mirroring positive operational developments, the Company achieved a EUR 1.3 million net income result for the first nine months of 2004. Additionally, the Company gave an outlook for the financial year 2005. MorphoSys expects to achieve a positive net income in 2005, marking the Company's transition to profitability.

First Nine Months - 2004 In the first nine months of 2004, revenues increased by 42% over the prior year to EUR 15.5 million (2003: EUR 10.9 million). Total operating expenses including stock-based compensation for the first nine months of 2004 amounted to EUR 14.9 million, compared to EUR 16.3 million in the same period of 2003. Research and development costs amounted to EUR 8.9 million (2003: EUR 8.5 million); sales, general & administrative expenses decreased to EUR 5.3 million (2003: EUR 6.2 million), and stock-based compensation fell to EUR 0.8 million (2003: EUR 1.6 million). Amortization of intangibles and depreciation amounted to EUR 2.3 million for the first nine months of 2004 (2003: EUR 1.7 million). EBITDA (Earnings before Interest, Tax, Depreciation, and Amortization), excluding stock-based compensation, was positive and amounted to EUR 4.3 million in the first nine months of 2004 (2003: EUR -2.6 million).

Non-operating income in the first nine months of 2004 amounted to EUR 0.7 million (2003: expense of EUR 1.3 million). The Company achieved a net income of EUR 1.3 million in the first nine months of the year (2003: net loss of EUR 6.7 million). The Company's cash position equaled EUR 31.8 million at the end of the third quarter of 2004, up from EUR 23.2 million at year-end 2003. The number of outstanding shares at September 30, 2004 was 5,351,553, compared to 4,841,570 shares at December 31, 2003. The resulting earnings per share for the first nine months of 2004 amounted to EUR 0.24 (2003: loss of EUR 1.60 per share).

Third Quarter - 2004: In the third quarter of 2004, the Company generated revenues of EUR 6.7 million, compared to EUR 3.6 million in the same quarter of 2003, an increase of 86%. Total operating expenses amounted to EUR 5.0 million, compared to EUR 5.4 million in the same quarter of 2003. The resulting net profit for the third quarter was EUR 2.1 million, compared to a net loss of EUR 1.8 million in the third quarter of 2003.

Events of the Third Quarter 2004 Included:

- Presentation of promising animal data from pre-clinical studies for MOR202, MorphoSys' latest proprietary antibody therapeutic focused on the treatment of multiple myeloma

- Conclusion of a collaboration with Novoplant GmbH for wholly new applications of MorphoSys antibodies in veterinary medicine
- Successful completion of Biogen Idec collaboration, as scheduled in September 2004
- Start of a second therapeutic antibody program targeting cardiovascular diseases with Boehringer Ingelheim
- Extension of an exclusive license to Centocor covering a HuCAL® antibody program for the treatment of inflammatory diseases
- Access to Crucell's human PER.C6® cell line for the production of human antibodies for research purposes
- Postponement of decision in summary judgment motion practice in MorphoSys/Applied Molecular Evolution case
- Formation of a marketing agreement with GeneFrontier Corp. to access the Japanese life science market for antibody research reagents and antibody therapeutics
- Inclusion of MorphoSys to the Frankfurt Stock Exchange TecDAX 30 Index
- Change in management board member composition with departure of Dr. Thomas von Rüden, former Chief Scientific Officer

"MorphoSys continues the positive financial trend we established on the basis of strong operational performance", commented Dave Lemus, Chief Financial Officer of MorphoSys AG. "With a record 28 currently active partnered projects, we profit not only from revenues in the near-term, but also retain significant future upside through possible milestones and royalties".

MorphoSys will hold a public conference call today at 10:00 CET (9:00 BST) to present the financial results of the first nine months of 2004.

Dial-in number for the Conference Call (listen-only): +49 (0)69 2222 3105

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

After the conference, a replay of the conference call will be available on <http://www.morphosys.com> .

About MorphoSys:

MorphoSys develops and applies innovative technologies for the production of synthetic antibodies, which accelerate drug discovery and target characterization. Founded in 1992, the Company's proprietary Human Combinatorial Antibody Library (HuCAL') technology is used by researchers worldwide for human antibody generation. The Company currently has licensing and research collaborations with Bayer (Berkeley, California/USA), Boehringer Ingelheim (Ingelheim, Germany), Bristol-Myers Squibb (Wilmington, Delaware/USA), Centocor Inc. (Malvern, Pennsylvania/USA), GPC Biotech AG (Munich/Germany), Hoffmann-La Roche AG (Basel/Switzerland), ImmunoGen Inc. (Cambridge, Massachusetts/USA), Novartis AG (Basel, Switzerland), Novoplant GmbH (Gatersleben/Germany), Oridis Biomed GmbH (Graz/Austria), Pfizer Inc. (Delaware/USA), ProChon Biotech Ltd. (Rehovot/Israel), Schering AG (Berlin/Germany) and Xoma Ltd. (Berkeley, California/USA). For further information please visit the corporate website at: <http://www.morphosys.com/> .

Statements included in this press release which are not historical in nature are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbour provided by Section 21E of the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words including "anticipates", "believes", "intends", "estimates", "expects" and similar expressions. The company cautions readers that forward-looking statements, including without limitation those relating to the company's future operations and business prospects, are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. Factors that may affect future operations and business prospects include, but are not limited to, clinical and scientific results and developments concerning corporate collaborations and the company's proprietary rights and other factors described in the prospectus relating to the company's recent public offering.

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