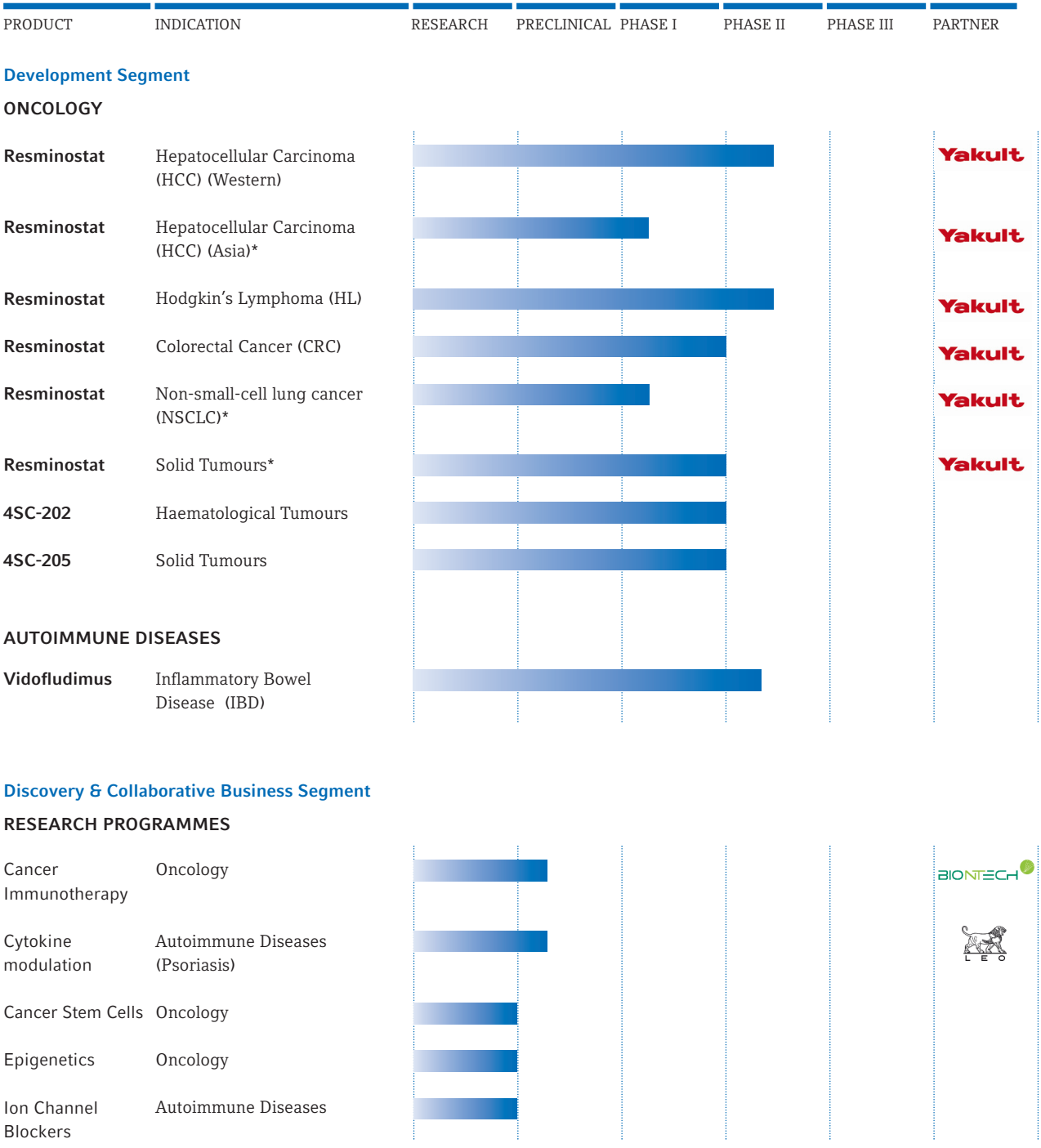
CONSOLIDATED HALF-YEAR FINANCIAL REPORT

30 June 2013 (IFRS)

Epigenetics: *Each and every human cell contains identical genetic information. What happens to a cell is determined by the way this information is processed. Epigenetics is the key to controlling this process. 4SC is one of the pioneers in this field of science. We develop epigenetic anti-cancer drugs.*

4SC product pipeline

Product pipeline (as at 5 August 2013)



* Study by Yakult Honsha in Japan

4SC at a glance

Headquartered in Planegg-Martinsried near Munich, 4SC is an innovative biotech company with a strong focus on research and development.

We are a discovery and development company of targeted small molecule drugs for the treatment of autoimmune diseases and cancer in indications with a high unmet medical need and major economic potential. In so doing, we wish to offer affected patients treatment options that are more effective and better tolerated to provide a better quality of life and thus create value for our shareholders, partners and employees.

Our product pipeline comprises promising drug programmes at various stages of clinical development, as well as early-stage research projects. We are focussing on fields of research with an especially promising future – such as epigenetics, cancer stem cells, cancer immunotherapy and other, important molecular signalling patterns that contribute to the development and persistence of cancer and autoimmune diseases.

Through development and marketing partnerships with pharmaceutical and biotech companies, we are bringing our programmes closer to market approval, thus ensuring commercial success. We are also strengthening our business model by entering into collaborative service and research ventures in the field of pharmaceutical early-stage research.

4SC was established in 1997 and employed a total of 83 members of staff in the Group parent company 4SC AG and its wholly-owned subsidiary 4SC Discovery GmbH as at 30 June 2013. 4SC AG has been listed on the Prime Standard of the Frankfurt Stock Exchange since December 2005 (ISIN DE0005753818).

> MARKET APPROVAL
> CLINICAL DEVELOPMENT
> PRECLINICAL
> RESEARCH

4SC Group*

4SC AG

Development Segment

Management Board:

Enno Spillner (Chairman of the Management Board; Chief Executive Officer/CEO & Chief Financial Officer/CFO)

Dr Bernd Hentsch (Member of the Management Board; Chief Development Officer/CDO)

Dr Daniel Vitt (Member of the Management Board; Chief Scientific Officer/CSO)

Strategy:

– Clinical development of attractive drugs for the treatment of cancer and autoimmune diseases on the path to market maturity

– Growth through development and marketing partnerships

– Broad-based medical and pharmacological expertise

4SC DISCOVERY GMBH

Discovery & Collaborative Business Segment

Management:

Dr Daniel Vitt | Dr Stefan Strobl

Strategy:

– Generating revenue from research services and collaborative ventures to strengthen 4SC's business model

– Marketing the Company's own drug programmes at an early stage of development through partnerships

– Replenishing the 4SC Group's clinical development pipeline

* As at 5 August 2013

4SC Group – Key figures at a glance

in € 000's unless stated otherwise

	Q2 2013	Q2 2012	Change in %	6M 2013 resp. 30.06.2013	6M 2012 resp. 30.06.2012	Change in %
Financial performance, cash flows and financial position						
Revenue	1,166	369	216	1,958	734	167
Operating profit/loss	-3,427	-4,003	14	-6,165	-7,825	21
Profit/loss for the period	-3,397	-3,979	15	-6,075	-7,676	21
Earnings per share (basic and diluted) (in €)	-0.07	-0.09	22	-0.12	-0.18	33
Equity (end of period)				15,767	23,340	-32
Equity ratio (end of period) in %				69.6	73.0	-3.4%P
Total assets (end of period)				22,644	31,954	-29
Monthly cash inflow (+)/outflow (-) from operations (average)[1]				-475	-1,160	59
Capital measures (net)				0	7,421	-100
Cash and cash equivalents (end of period)				9,212	16,283	-43

	Q2 2013	Q2 2012	Change in %	6M 2013 resp. 30.06.2013	6M 2012 resp. 30.06.2012	Change in %
Staff						
Total number of employees (incl. Management Board) (end of period)				83	90	-8
Number of full-time employees (incl. Management Board) (end of period)				70	79	-11

[1] Calculation: (Change in cash funds at end of period compared with the end of the prior period + proceeds from the capital increase) / 6

Key events in the second quarter of 2013

> In the second quarter of 2013, 4SC has reviewed, optimised and streamlined its development strategy. By taking this step, the Company is in a position to concentrate on its key products, thus adopting a targeted approach to the Company's positive business development and the generation of long-term value. Resminostat, an agent for treating liver cancer (HCC), remains 4SC's most important value driver and has been re-prioritised for further development on the path to market approval in HCC first-line therapy; the remaining product portfolio has also been streamlined and given a stronger focus.

> May 2013:

4SC: Decision made to focus development strategy

To enable a more targeted and more efficient leverage of the potential value present in the Company, the management decides to concentrate future development work on key products and on resminostat in particular, as a first-line therapy in advanced liver cancer. Conversely, other programmes will be cut back or halted.

Resminostat: Studies on liver cancer and Hodgkin's lymphoma identify potential predictive biomarker

The new, proprietary biomarker ZFP64 is identified in the biomarker analysis for the previously concluded Phase II studies with resminostat in liver cancer (HCC) and Hodgkin's lymphoma (HL): its expression level correlates with the survival period of patients treated with resminostat. 4SC is now pursuing the use of ZFP64 as a predictive biomarker in the planned registration programme for resminostat in liver cancer.

Resminostat: Clinical Phase I/II study in liver cancer started in Japan

4SC's Japanese partner Yakult Honsha starts a clinical Phase I/II study with cancer compound resminostat in liver cancer (HCC) in Japan. The randomised and controlled study will investigate the safety and efficacy of resminostat in combination with the cancer drug sorafenib compared to the standard treatment, i.e. sorafenib monotherapy, as a potential novel first-line treatment of advanced HCC in up to 164 patients.

Resminostat: Clinical trial in colorectal cancer completed successfully

4SC successfully concludes Phase I of the SHORE study in colorectal cancer, achieving all of the trial objectives set. In combination with FOLFIRI chemotherapy, resminostat demonstrates good safety and tolerability, alongside promising indications of clinical activity of the treatment. This confirms the broad applicability of resminostat in combination with established cancer therapies for several types of cancer. Due to the concentration on the planned registration trial with resminostat in the main indication of liver cancer, colorectal cancer development will be halted for the interim.

> June 2013:

4SC Discovery GmbH: Research collaboration starts with CRELUX and UCB

The three companies 4SC Discovery, CRELUX and UCB announce a partnership aimed at identifying and validating new small-molecule compounds for the treatment of neurological illnesses. The research work will be based on the i2c technology platform provisioned jointly by CRELUX and 4SC.

4SC: Restructuring in accordance with focused development strategy

As part of the strategic focus now laid on research and development work for the Company's main value drivers – and for the compound resminostat in the indication of liver cancer in particular – 4SC adapts and streamlines its resources, especially in administration and development. Compared to the end of May headcount, this will entail a workforce reduction of 15% during the course of the year and the closure of the Überlingen-Bonndorf site by year-end.

Letter to the shareholders

Dear Shareholders,
Dear Friends and Partners of 4SC.

You will have read my announcement of a strategic modification to our future research and development activities in the report on the first quarter of 2013. In this report, I will provide you with implementation details of this modified orientation, explain our objectives and update you on the measures we have already actioned.

The Management Board has decided to increase the focus of our research and development activities even further on those projects that offer our company the greatest value growth potential. Our primary focus here has been set on our resminostat compound as a drug for treating advanced liver cancer (HCC). We want to accelerate the ongoing enhancement of the compound towards market approval and, in the process, prioritise HCC first-line therapy because it is here that the medical need and market potential are especially high. We are now redoubling our efforts to prepare a suitable clinical registration programme. That said, the application of resminostat as HCC second-line therapy will remain an attractive additional option for us.

The reprioritisation of our product portfolio and aggregation of our resources to focus on the continued improvement of resminostat in the indication of liver cancer has also entailed the drawing-down or halting of our development activities in other projects. Examples of affected projects include the 4SC-203 and 4SC-207 programmes, as well as various projects in the research phase that we will no longer pursue independently – we will however evaluate possibilities to partly outlicense or sell them. Nor will we continue to work alone on the development programme for the vidofludimus compound in autoimmune diseases. We are now talking to potential partners and investors so as to accomplish the next stages in development of vidofludimus as a joint project. As a result of our new strategic focus, however, we will no longer be funding the continued development of vidofludimus from our own financial resources.

Our more narrowly focused development strategy has not merely resulted in a reprioritisation of our research and development activities, however. We also had to take steps to adjust our company and staff structures to fit this modified strategy. We will be downsizing our workforce – especially in preclinical and clinical development operations, but also in administration – and closing our Überlingen-Bonndorf office. While we clearly found this to be a tough decision, it will result in about a 15% reduction of our workforce during the course of the year, compared to the headcount at the end of May 2013. Therefore, on behalf of the entire Management Board, I would like to thank all employees who will have to leave 4SC, for their great dedication and their contribution to the development of 4SC.

This adjustment of personnel structures will result in moderate one-time extraordinary expenses recognised in the 2013 consolidated financial statements. However, we assume that staff costs will be reduced by a high six-figure starting in the 2014 financial year.

All of these measures are aimed at enhancing 4SC's market position in the long term based on a more efficient cost structure and a focussed application of our funds and resources to the Company's main value drivers. The Group subsidiary 4SC Discovery GmbH, which commenced

operations successfully last year and is aimed at commercialising our early-stage research, remains equipped with all required resources, enabling it to continue on its growth trajectory.

I would now like to turn to progress made in business operations in the second quarter of 2013. Our partner Yakult Honsha Co., Ltd. has commenced a randomised clinical Phase I/II study with resminostat in advanced liver cancer (HCC) in Japan. This trial – conducted in Asian patient populations – compares the sorafenib standard therapy with the combined approach of resminostat and sorafenib as a potential new HCC first-line therapy. For 4SC, this is a highly significant development, since we are currently also working to prepare the clinical development of the resminostat/sorafenib combination as a first-line therapy for advanced HCC in Western patient populations with the aim of achieving market approval.

We also successfully completed Phase I of the SHORE study in the reporting period. This trial investigated resminostat in combination with FOLFIRI chemotherapy in colorectal cancer (CRC). Due to our strategic focus on the planned registration trial with resminostat in the main indication of liver cancer, we have taken the decision to halt development in the indication of colorectal cancer for the time being. Yet we may return to building on these results at any time in the future – both in colorectal cancer and other cancer indications – not least because the results confirm and emphasise once again resminostat's positive safety profile, clinical activity and its broad applicability in combination with established cancer therapies.

A further major success was the identification of a potential predictive biomarker (ZFP64), whose expression in our Phase II trials in liver cancer (HCC) and Hodgkin's lymphoma (HL) correlated with the expected survival rates of patients receiving treatment with resminostat. We now wish to utilise these new insights to drive the development of resminostat into a personalised liver cancer therapy.

Our research subsidiary 4SC Discovery gained a new and prestigious partner in the second quarter. Together with its permanent sales partner CRELUX, 4SC Discovery will now be researching new compounds for treating neurological illnesses on behalf of the leading Belgian pharmaceutical company UCB.

Together with my Management Board colleagues, I look forward to steering 4SC through this important phase in the history of our Company. In recent years, 4SC has developed into a highly innovative company that with resminostat and other drug candidates has potential future blockbuster drugs in its portfolio. I firmly believe that 4SC is capable of realising this potential.

I would like to take this opportunity to thank our shareholders, employees, business partners and friends for their trust, loyalty and commitment.

Yours sincerely,

Planegg-Martinsried, August 2013

Enno Spillner
Chairman of the Management Board

Interim group management report

1. BUSINESS PERFORMANCE

1.1 Economic Environment

Macroeconomic development

In its most recent forecast dated July 2013, the International Monetary Fund (IMF) paints a bleaker picture than three months previously. The organisation has downgraded its forecast for global economic growth in 2013 by 0.2 percentage points to 3.1%. The IMF now projects that growth in euro zone countries will probably shrink by 0.6% this year, which is more than the 0.4% forecast in April. One of the reasons for this contraction is weaker growth in Germany, where GDP is expected to increase by just 0.3%.

Contrary to this trend, the IMF upgraded its outlook for Japan. The Japanese economy is expected to grow by 2.0%, reflecting the effects of the loose monetary policy and the expansionary public spending policy on private demand. In April, the IMF had forecast expansion of 1.5%. This stands in contrast to the United States, where stronger fiscal contraction is weighing on improving private demand. Here, the IMF expects GDP to rise by just 1.7%, less than its April forecast of 1.9%.

Economic growth of 5.0% is forecast for the emerging market and developing economies. In spite of a slowdown in economic activity, China will continue to play a key role with projected growth of 7.8% this year.

The IMF mainly attributes the more subdued economic outlook to a deeper recession in Europe, slower growth in emerging market economies and the new risks arising from the anticipated discontinuation of expansive monetary policy in the United States. While old risks remain, new risks have emerged, claims the IMF.

Developments in the biotech and pharmaceuticals sector

The global biotechnology industry proved to be robust in the reporting period even though the gap between the exceedingly positive industrial environment in the United States and the sentiment in Europe is widening. Investors showed a great deal of interest in new issues, especially in the United States. As a result, the proceeds from initial public offerings by biotech companies exceeded the US-$1 billion mark on 18 June 2013. According to the industry analysts BioCentury, 25 IPOs took place in the first half of the year and at least 13 more issues are currently planned for 2013. As many as 19 of these companies went public on US stock exchanges, but none in Europe. In the area of follow-on financing as well, listed companies are currently finding that the US in particular is a good market on which to procure new funds. With 33 follow-on financing arrangements bringing in just under US-$4.2 billion, the second quarter of 2013 was the strongest three-month period since the fourth quarter of 2000. In the first half of 2013, 65 follow-on financing deals were arranged with a volume of US-$6.5 billion.

The positive sentiment in the US biotech sector is also reflected in M&A activities. At the end of June, for example, it was reported that Amgen, the world's largest biotechnology company, was considering an acquisition offer for US-based Onyx Pharmaceuticals, the maker of the cancer drug Nexavar (sorafenib) in the United States. In its initial bid, rejected by Onyx's management as too low, Amgen had offered US-$120 per share (which would correspond to a market capitalisation of US-$8.7 billion), a premium of around 38%.

According to a trend study conducted by the German Association of Biotechnology Industries (DIB), biotech industry sales in Germany are expected to increase slightly in the current year. The study showed that since the beginning of the year 60% of the companies surveyed have recorded rising sales. Still, the German biotechnology industry is facing major challenges, an Ernst & Young study indicated. The growing complexity of drug development, which translates into high development risks, a long development life and sharp price increases, combined with ongoing financing difficulties in the industry, is continuing to present a challenge for German market participants.

Despite the difficult conditions, companies in the industry in Germany succeeded in securing additional funding on the capital markets in the second quarter of 2013: listed company Biotest AG raised €76 million at the end of June 2013 by way of a capital increase, while Curetis AG obtained €12.5 million in April 2013 in a private round of financing.

In 4SC's industry environment, especially in the area of epigenetics, the successful IPO by US company Epizyme in June 2013 illustrated this sector's continuing positive attitude to this megatrend. Epizyme raised US-$77 million from its IPO. Also in the second quarter, Martinsried-based biotech company Proteros and Atlas Ventures co-founded a

new US-based epigenetics company called Rodin Therapeutics, which will develop epigenetic compounds to treat neurological diseases.

Furthermore, in the second quarter of 2013 the life sciences industry continued the previous year's trend of restructuring research and development organisations. One such example is Swiss pharma giant Roche, which in April 2013 announced plans for a sweeping restructuring of its applied science business in response to price pressure and funding cuts in the industry, resulting in over 100 job cuts at its Penzberg site.

1.2 4SC on the stock markets

4SC AG's shares shed 19% in the first six months of 2013, underperforming the benchmark indices Nasdaq Biotechnology (+32%) and DAXsubsector Biotechnology (+20%).

The shares ended the second quarter of the year at a closing price of €1.63 (28 June 2013). Accordingly, the Company's market capitalisation amounted to €82.1 million. 4SC AG's shares were therefore down a further 8% compared with the end of the first quarter of 2013.

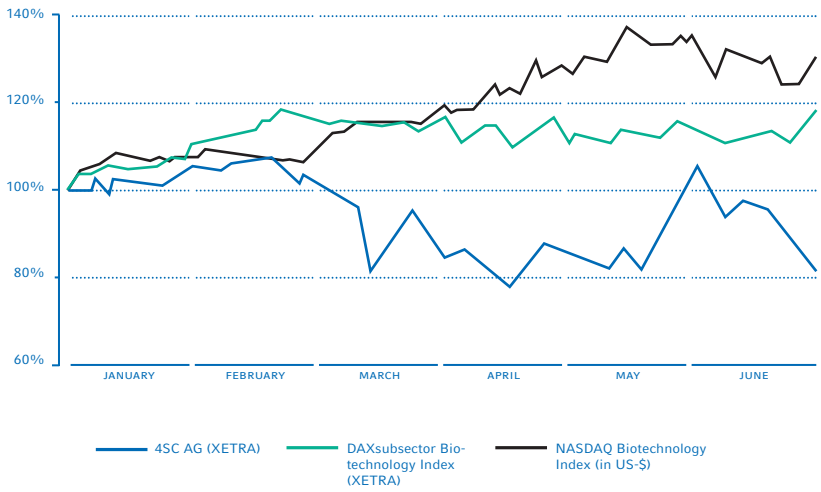
The Company's announcements in the second quarter about the start of clinical development of resminostat in the liver cancer indication by its Japanese partner, Yakult Honsha Co., Ltd., the strong Phase I results with resminostat in colorectal cancer and the identified biomarkers in the clinical trials of resminostat in the liver cancer and Hodgkin's lymphoma indications gave an initial boost to 4SC's share price. However, the shares were unable to maintain their high for the quarter so far of €2.14 on 3 June 2013. Profit-taking and little stimulation of demand together with growing nervousness on the capital markets across the board took a further toll on 4SC's shares with low liquidity at the end of the quarter.

The liquidity of 4SC's shares continued to develop encouragingly in the first half of 2013. The average daily trading volume on all German exchanges, including Tradegate, totalled 60,892 shares in the first six months of 2013. This represents an increase of 5% over the same period in 2012 (H1 2012: 58,177) or of 7% compared with the figure for the 2012 financial year (56,713).

> KEY FIGURES OF THE 4SC SHARE

	Q2 2013	Q2 2012	6M 2013	6M 2012
Number of shares issued (average, in 000's)	50,372	41,968	50,372	41,968
Free float (%)	30.0	26.9	30.0	26.9
3- resp. 6-month high (Xetra) (€)	2.14	2.65	2.20	3.04
3- resp. 6-month low (Xetra) (€)	1.58	1.47	1.58	1.26
Price at beginning of the period (Xetra) (€)	1.72	2.65	2.04	1.26
Price at end of the period (Xetra) (€)	1.63	1.48	1.63	1.48
Market capitalisation at end of the period (€000's)	82,106	62,113	82,106	62,113
Average daily trading volume (all markets incl. Tradegate, shares)	38,413	30,865	60,892	58,177

> SHARE PRICE (in % indexed on 4SC AG, 01.01.2013 - 30.06.2013)



1.3 Business review for the reporting period

The 4SC Group (hereinafter also "4SC", "the Company" or "the Group") took the decision to once again sharpen the focus of its research and development strategy in the first half of 2013, followed by a detailed specification and implementation of the relevant measures. As a result, there are some key events to report, especially at the Group level. Alongside this, both of the Group's operating segments (Development and Discovery & Collaborative Business) achieved key milestones in their research and development activities.

1.3.1 Development segment

The Development segment is responsible for the development of clinical and preclinical drug candidates from the product pipeline as conducted by the Group's parent company 4SC AG. At the end of the first half of 2013, this pipeline comprised the compounds resminostat, 4SC-202 and 4SC-205 as well as vidofludimus, following the discontinuation of the 4SC-203 and 4SC-207 development programmes due to the more tightly focused development strategy announced in May 2013.

ONCOLOGY

Resminostat

An "HDAC inhibitor", resminostat is an epigenetic anti-cancer compound administered in tablet form that has an innovative mechanism of action and is 4SC's most highly advanced compound of this type. Up to now, resminostat has been clinically tested in a broad Phase II development programme, both as monotherapy and in combination with other drugs. 4SC holds the relevant composition-of-matter patent for resminostat in the world's key pharma markets, including China, Europe, India, Japan, Russia, South Korea and the USA.

Treatment of liver cancer

Following the positive results of the clinical Phase II SHELTER trial with resminostat in combination therapy with the anti-cancer drug sorafenib in patients with advanced liver cancer (HCC), 4SC is now pursuing market approval in this indication. In line with the more tightly focused development strategy adopted in May 2013, 4SC's primary objective here is deployment as a first-line therapy; use in second-line therapy continues to present an attractive additional option, however. The Company is currently working on a pivotal (i.e. registration-relevant) clinical development plan for resminostat, deployed as a combination treatment with the cancer drug sorafenib as a first-line therapy in HCC. Once drafted, 4SC will then sound out the necessary development steps and their funding with potential partners and international regulatory agencies.

In May 2013, Yakult Honsha Co., Ltd., 4SC's exclusive Japanese partner, commenced a randomised clinical Phase I/II study with resminostat in advanced liver cancer (HCC) in Japan. This trial compares the current standard sorafenib therapy with the strategy of a combined resminostat and sorafenib treatment as a potential new first-line therapy in advanced liver cancer.

Presented in May 2013, the initial results from the biomarker analysis for the two completed Phase II trials with resminostat in liver cancer (HCC) (SHELTER study) and in Hodgkin's lymphoma (HL) (SAPHIRE study) resulted in a further notable achievement for 4SC's drug development work. Both studies identified a biomarker (ZFP64) whose expression level correlates to the expected rates of survival for HCC and HL patients treated with resminostat. Specifically, patients displaying higher ZFP64 levels prior to treatment with resminostat also experienced a significantly longer survival compared to patients with lower ZFP64 levels. In the future, this could mean that ZFP64 is able to demonstrate potential therapeutic success with resminostat for these cancers. A patent application has been filed in order to ensure adequate IP protection for these findings. These insights should also be taken into account when preparing and designing the further studies planned for resminostat in HCC.

Treatment of colorectal cancer

At the ASCO Conference in early June 2013, positive Phase I results were presented from the clinical Phase I/II SHORE trial with resminostat in combination therapy with FOLFIRI chemotherapy in patients with advanced colorectal cancer (CRC). At all dosage levels administered, resminostat proved to be safe and well-tolerated, once again underlining the compound's positive safety profile and its broad applicability in combination with established cancer therapies. In addition, the treatment - already in the Phase I part of the study - showed promising signs of

clinical activity. In about 50% of patients, stabilisation of the tumour disease was achieved for periods of three months or more – thus meeting the SHORE study's Phase I endpoint. In line with the strategic focus on the planned registration trial with resminostat as a first-line therapy in advanced liver cancer, the Management Board has resolved to discontinue development with resminostat in the indication of colorectal cancer for the time being.

4SC-202

4SC-202, a selective inhibitor of protein deacetylases HDAC 1, 2 and 3, is the Company's second epigenetic anti-cancer compound in a clinical Phase I trial. The TOPAS dose-escalation trial with 4SC-202 in patients with advanced haematological tumours was also continued in the reporting period. Further dosage options are currently being evaluated clinically to determine the optimum treatment regime.

4SC-205

Following the publication in December 2012 of positive results from the clinical Phase I AEGIS trial with the anti-cancer compound 4SC-205 in patients with solid masses, the study scope was extended to trial an additional dosage regime. The extended study continued as planned during the reporting period. 4SC-205 is an oral small-molecule inhibitor of the Eg5 protein featuring an anti-mitotic mechanism (i.e. it inhibits cell division).

AUTOIMMUNE DISEASES

Vidofludimus

Vidofludimus is 4SC's lead compound in the field of autoimmune diseases. In clinical development, vidofludimus has exhibited promising results in the field of inflammatory bowel disease (IBD) during an initial Phase IIa trial. Currently, 4SC is focusing its efforts on identifying suitable partners and investors for conducting a Phase IIb trial in the indication of Crohn's disease; the design of this study has already been coordinated with the regulatory agencies. For 4SC, the study is conditional on external sources of funding being located to finance the trial. The company will no longer be providing its own resources, due to the tighter focus applied to its development strategy.

1.3.2 Discovery & Collaborative Business segment

The Discovery & Collaborative Business segment comprises the activities involved in the discovery, early-stage research and subsequent commercialisation of drug compounds by the Group subsidiary, 4SC Discovery GmbH.

In the reporting quarter, 4SC Discovery GmbH successfully continued its joint research ventures begun in the first quarter of 2013 with the Danish pharmaceutical company LEO Pharma A/S and the German biopharma company BioNTech AG.

In June 2013, 4SC Discovery GmbH and CRELUX GmbH (Planegg-Martinsried) jointly announced the start of a partnership with the Belgian pharmaceutical company UCB S.A. Working on behalf of UCB S.A., 4SC Discovery GmbH and CRELUX GmbH will pursue the identification and validation of new small-molecule compounds for the treatment of neurological illnesses. The research work will be based on the i2c technology platform provisioned jointly by CRELUX GmbH and 4SC Discovery GmbH.

1.3.3 Significant events at Group level

At the Annual General Meeting of 4SC AG held on 2 May 2013, the shareholders approved all of the meeting's agenda items submitted to the vote by the Company with the required majority. One such item was the re-appointment of the Supervisory Board; all members were confirmed as proposed. In the subsequent inaugural Supervisory Board session, all of the Board's roles – including Chair (Dr Thomas Werner) and Deputy Chair

(Klaus Kühn) – remained unchanged, as was also the case for the committees and their members.

In the first half of the second quarter, 4SC's management team announced further fine-tuning of the development strategy. At heart, this involves the Company concentrating on its leading products, which together offer 4SC the greatest potential to grow value.

The core of these activities is formed by the ongoing development of the compound resminostat towards market maturity as a first-line drug for treating advanced liver cancer (HCC). Compared to a second-line setting, the HCC first-line strategy enables resminostat to address a considerably larger group of patients and – due to its expected positive tolerability – to treat them for an adequate length of time. Overall, this enables the Company to tap into a greater market potential for HCC treatment with resminostat. While the first-line strategy is likely to take longer to achieve regulatory approval than second-line strategy, with the first-line strategy, the next important clinical step towards value creation could foreseeably be achieved earlier and at lower costs than with a full Phase III registration trial, which would be immediately scheduled in the second-line strategy. Furthermore, 4SC is thus synchronising its development strategy with the preferred first-line strategy of its Japanese development partner Yakult Honsha Co., Ltd., which will allow for a higher degree of mutual support. As before, however, the development of resminostat as an HCC second-line therapy remains an additional attractive option for the resminostat programme.

In line with the increased focus on the leading products, development activities for other compounds will be cut back or halted. Accordingly, 4SC has resolved to discontinue the 4SC-203 and 4SC-207 development programmes as well as two early-stage research programmes; one effect is a non-recurring, non-cash impairment charge of €718 thousand. Another consequence of this strategy is a more streamlined staffing structure – especially in preclinical and clinical development operations, but also in administration – and the closure of the Überlingen-Bonndorf office. As a result, employee numbers will be reduced by about 15% (compared to the May 2013 headcount) over the course of the year. This adjustment of corporate and personnel structures will result in moderate one-time extraordinary expenses of approx. €250 thousand recognised in the 2013 consolidated financial statements. Starting in the 2014 financial year, this adjustment will be reflected in a high six-figure reduction in staff costs.

These measures are aimed at enhancing the Company's market position in the long term, further improving the efficiency of cost structures and enabling 4SC to utilise its funds and resources with a clear focus on the Company's main value drivers.

1.3.4 Staff

As at 30 June 2013, the 4SC Group had a total of 83 employees (incl. the Management Board of 4SC AG and the executive management of 4SC Discovery GmbH) (31 December 2012: 86). The Development segment (4SC AG) had 57 employees at the end of the half-year, while the Discovery & Collaborative Business segment (4SC Discovery GmbH) had 26. On average, 85 employees worked for the 4SC Group in the first six months of 2013 (H1 2012: 91). The Company had a total of 70 full-time employees (full-time equivalents, FTEs) at the end of the second quarter (31 December 2012: 74), taking part-time employees and employees on parental leave into account. As at the end of the first six months of 2013, 77% (31 December 2012: 69%) of the FTEs worked in research and development, and 23% (31 December 2012: 31%) in sales and administration.

As a result of adapting corporate and staffing structures to match a more focused development strategy, 4SC will downsize its workforce by about 15% (compared to total employees as at 31 May 2013) before the end of 2013.

2. FINANCIAL PERFORMANCE, CASH FLOWS AND FINANCIAL POSITION

The 4SC Group, comprising 4SC AG and its wholly-owned subsidiary 4SC Discovery GmbH, reports consolidated figures for both the first six months of the 2013 financial year and the comparative period of the 2012 financial year.

Since the beginning of 2012, the 4SC Group has reported in the operating segments Development and Discovery & Collaborative Business. As at the end of the second quarter 2013, the Development segment comprised the development programmes for resminostat, 4SC-202 and 4SC-205 as well as vidofludimus. The Discovery & Collaborative Business segment comprised the activities involved in drug discovery and early-stage research plus subsequent commercialisation and, in particular, service business and research collaborations related to drug discovery and optimisation.

2.1 Financial performance

Revenue

Consolidated revenue was €1,166 thousand in the second quarter of 2013 (Q2 2012: €369 thousand). With the exception of the revenue of €3,325 thousand generated in the fourth quarter of 2012, which, however, included one-off licence revenues of €2,500 thousand under a licensing partnership with BioNTech AG, this is 4SC's highest quarterly revenue in five years. In the first six months of the year, consolidated revenue thus increased by 167% year-on-year to €1,958 thousand (H1 2012: €734 thousand). This positive development was mainly attributable to the cooperation agreements signed with BioNTech AG and Leo Pharma A/S, Denmark, in December 2012 and February 2013.

While revenue in the Development segment remained constant both in the quarter under review and for the first half of the year (Q2 2013: €223 thousand after Q2 2012: €227 thousand; H1 2013 and H1 2012: €450 thousand in each case), revenue in the Discovery & Collaborative Business segment was given a substantial boost. Amounting to €942 thousand in the second quarter (Q2 2012: €143 thousand), this therefore increased more than fivefold in the first six months to €1,508 thousand (H1 2012: €284 thousand). Further information regarding segment results can be found in chapter 2 of the consolidated notes.

Operating expenses

Operating expenses, comprising the cost of sales, distribution costs, research and development costs and administration costs, stood at €4,593 thousand in the second quarter of 2013, an increase of 5% on the prior-year figure (Q2 2012: €4,385 thousand). At €8,124 thousand, the half-year figure was down 5% year-on-year (H1 2012: €8,573 thousand).

The Development segment accounted for €6,566 thousand (H1 2012: €7,413 thousand) of operating expenses in the first half-year, while the Discovery & Collaborative Business segment incurred €2,289 thousand (H1 2012: €2,495 thousand) and the consolidation accounted for -€731 thousand (H1 2012: -€1,335 thousand).

Two one-off extraordinary factors drove up expenses by €1,201 thousand in the second quarter of 2013. For one thing, non-recurring non-cash expenses of €718 thousand were reported under research and development costs in the reporting period. These resulted from the decision to focus the development strategy and were due to the associated impairment losses charged on three capitalised patents as a consequence of the streamlining of the product pipeline. For another, operating expenses in the reporting period include an amount of €483 thousand comprising accrued liabilities in connection with the adjustment of personnel structures to the focused development strategy. About half of these expenses are made up by prepaid staff costs which can be reversed during the year's second half. One-time extraordinary factors of just under €1,000 thousand arising from the impairment losses and the adjustment of personnel structures can therefore be anticipated for 2013 as a whole.

Research and development costs incurred in connection with ongoing clinical studies continued to make up the majority of expenses. However, research and development costs were down slightly by 1% over the prior-year quarter to €3,132 thousand (Q2 2012: €3,152 thousand) and by 15% over the first six months to €5,146 thousand (H1 2012: €6,071 thousand) on account of the reduced clinical study activities and the implementation of targeted cost-cutting measures. The comparatively low decrease on a

quarterly basis is attributable to the extraordinary factors explained above as well as to the reclassification of the expenses for two Management Board members from administrative costs to research and development costs with effect from the second quarter of 2013. After adjusting for the extraordinary factors, research and development costs amounted to €2,142 thousand in the second quarter and to €4,156 thousand in the first half-year.

The increase in the cost of sales to €420 thousand in the reporting quarter (Q2 2012: €62 thousand) and to €639 thousand in the first half-year (H1 2012: €99 thousand) is attributable almost solely to the research partnerships with BioNTech AG and Leo Pharma A/S, Denmark.

Distribution costs, which consist of the costs incurred by the Business Development and PR & Marketing units, remained virtually unchanged year-on-year at €163 thousand in the second quarter of 2013 (Q2 2012: €157 thousand) but fell by 7% to €337 thousand in a half-year comparison (H1 2012: €364 thousand) due to lower staff costs.

Administrative costs were reduced to €878 thousand in the quarter under review (Q2 2012: €1,014 thousand), though these include a one-off extraordinary effect of €211 thousand arising from the adjustment of personnel structures. The reduction in administrative costs is attributable in particular to cost savings and the above-mentioned reclassification to research and development costs of the expenses incurred for two Management Board members. The effect this had on administrative costs is balanced by the costs incurred as a result of the early termination of the contract with the former Chief Executive Officer Dr Ulrich Dauer. At €2,002 thousand in the first six months of 2013, administrative costs are therefore only marginally below the prior-year figure (H1 2012: €2,039 thousand).

Operating profit/loss

The Company's loss from operating activities decreased by 14% in the second quarter and by 21% in the first six months of the year on the back of higher revenue and lower operating expenses. The operating loss posted for April to June 2013 amounted to €3,427 thousand (Q2 2012: €4,003 thousand), while the operating loss for January to June 2013 amounted to €6,165 thousand (H1 2012: €7,825 thousand). After adjusting for the one-off impairment loss of €718 thousand associated with the streamlining of the pipeline as well as for the expenses of €483 thousand incurred in connection with the adjustment of personnel structures to the focused development strategy, the operating loss in the first half of the year was €4,964 thousand, down 37% on the prior-year figure.

Net finance income/loss

Net finance income in the second quarter was up 25% year-on-year at €30 thousand (Q2 2012: €24 thousand). However, compared with the first six months of 2012, net finance income declined to €90 thousand (H1 2012: €159 thousand). The share in the profit/loss of associates was €50 thousand in the first six months of 2013, following €98 thousand in the first half of 2012. Interest income was also down due to lower interest rates in conjunction with a conservative investment strategy (H1 2013: €44 thousand after H1 2012: €68 thousand). Interest expense fell to €4 thousand (H1 2012: €7 thousand).

Taxes

In the second quarter and first half of 2013, 4SC did not report a net tax income/expense figure (H1 2012: expense of €10 thousand from non-creditable, merely deductible Japanese withholding tax in the first quarter of 2012).

Consolidated net loss

The net loss for the period improved by 15% year on year to €3,397 thousand in the second quarter (Q2 2012: €3,979 thousand) and by 21% to €6,075 thousand in the first six months (H1 2012: €7,676 thousand). Further information regarding segment results can be found in the consolidated notes.

Earnings per share

The decrease in the net loss for the period along with a simultaneous increase in the underlying average number of shares (resulting from the capital increase performed in July 2012) reduced the loss per share to €0.07 in the second quarter of 2013 (Q2 2012: -€0.09) and to €0.12 in the first half of 2013 (H1 2012: -€0.18).

2.2 Financial position

Non-current assets

Non-current assets amounted to €12,095 thousand as at 30 June 2013 after totalling €13,326 thousand as at 31 December 2012. The decline as against 31 December 2012

is largely due to the amortisation of intangible assets and depreciation of property, plant and equipment and the one-off impairment losses of €718 thousand charged on three patents in connection with the Company's decision to focus its development strategy. Intangible assets remained the largest item of non-current assets in the statement of financial position, amounting to €11,066 thousand (31 December 2012: €12,223 thousand).

Current assets

The decrease in current financial assets from €15,741 thousand as at 31 December 2012 to €10,549 thousand as at 30 June 2013 is mainly the result of two factors. Funds (comprising cash and cash equivalents and other financial assets) fell to €9,212 thousand (31 December 2012: €12,064 thousand) on account of the outflow of funds associated with the operating loss. The decline in trade accounts receivable to €660 thousand (31 December 2012: €3,084 thousand) is mainly due to the upfront payment received from BioNTech AG in the first quarter of 2013 in connection with a licence agreement entered into in December 2012.

Equity

The decline in equity from €21,813 thousand as at 31 December 2012 to €15,767 thousand as at 30 June 2013 was driven primarily by the loss for the period of €6,075 thousand, lifting the accumulated deficit accordingly, from €108,735 thousand to €114,810 thousand. The equity ratio declined by 5.4 percentage points, from 75.0% as at 31 December 2012 to 69.6% at 30 June 2013.

Non-current liabilities

Non-current liabilities decreased by 10% to €3,362 thousand as at 30 June 2013 from €3,755 thousand as at 31 December 2012. This figure continues to consist largely of deferred income in connection with the partnership with Yakult Honsha Co., Ltd., Japan, and LEO Pharma A/S, Denmark (30 June 2013: €3,226 thousand; 31 December 2012: €3,575 thousand).

Current liabilities

Current liabilities remained nearly unchanged at €3,515 thousand compared with €3,499 thousand as at 31 December 2012. Whereas other liabilities dropped from €2,011 thousand as at 31 December 2012 to €1,542 thousand on account of the decrease in accrued liabilities in the reporting period, deferred income increased from €894 thousand to €1,560 thousand. Behind this development is the license agreement signed with LEO Pharma A/S, Denmark, in the first quarter of 2013. An upfront payment received under this agreement is being accrued over the option period.

Total assets/total equity and liabilities

Total assets/total equity and liabilities amounted to €22,644 thousand as at 30 June 2013, down 22% on the figure of €29,067 thousand recognised as at 31 December 2012. This decrease is primarily attributable to the loss for the period.

2.3 Cash flows

Cash flows from operating activities

Cash flows from operating activities in the first half of 2013 were influenced most by the Group’s income from the licence agreement concluded with BioNTech AG in December 2012 and from the licence agreement entered into with LEO Pharma A/S, Denmark, in February 2013. Added to this are non-cash items from the statement of comprehensive income totalling €1,243 thousand (including from the amortisation of intangible assets and depreciation of property plant and equipment and the one-off impairment losses on three patents), which means that in spite of a pre-tax loss of €6,075 thousand, the Company recorded cash outflows from operating activities of just €2,820 thousand. In the comparative 2012 period, a pre-tax loss of €7,666 thousand resulted in cash outflows in the amount of €6,900 thousand.

Cash flows from investing activities

The cash inflows from investing activities in the first six months of 2013 amounted to €2,957 thousand, compared with €7,942 thousand in the same period of 2012. In the reporting period and in the previous year, only small investments were made in fixed assets (H1 2013: €37 thousand; H1 2012: €58 thousand). In the reporting period, the purchase and sale of financial investments resulted in net cash inflows of €2,994 thousand, compared with cash inflows of €8,000 thousand in the same period of 2012.

Cash flows from financing activities

Since no capital measures were executed in the reporting period, no cash flows from financing activities were generated. In contrast, the net cash flows of €7,421 from financing activities in the first half of 2012 were due to the proceeds from the capital increase resolved and initiated on 29 June 2012.

Cash balance/funds

Cash and cash equivalents amounted to €6,213 thousand at the end of the reporting period. Additional funds in the amount of €2,999 thousand were invested in short-term fixed-interest securities. As at 30 June 2013, the Company thus had cash and available-for-sale securities totalling €9,212 thousand, compared with €12,064 thousand as at 31 December 2012. This resulted in an average monthly outflow of cash from operations amounting to EUR 475 thousand in the first half of 2013.

3. REPORT ON RISKS AND OPPORTUNITIES

Please see pages 78 to 89 of the annual report as at 31 December 2012 for a detailed description of the risks and opportunities arising from the Company's business activities as well as of its IT-based risk management and controlling system. Since then no major changes have occurred with respect to our situation in terms of risks and opportunities and no major changes are expected to occur during the remainder of 2013. The occurrence of any one of the risks described in the annual report – alone or in conjunction with each other – could have a negative impact on the financial performance, cash flows and financial position of 4SC.

Financing

The Company will continue to require a large amount of capital in the medium to long term if it is to realise its corporate and development goals and, in particular, to finance the clinical studies associated with this. Meeting this capital need requires the Company to generate enough revenue from licences or cooperation deals or to secure adequate funding from other sources. If product development costs exceed income and the Company's reserves no longer suffice, the Company would have to raise additional equity and/or borrowings. There is no guarantee that 4SC will be able to raise such funds on time, in the amount required, at economically viable conditions, or in principle. This could hinder 4SC in its further development and prevent it from making important investments, for example in the area of research and product development, or force it to discontinue the development of one or more of its products. This could have a negative impact on the Company's competitive position and adversely affect its financial performance, cash flows and financial position.

4. EVENTS AFTER THE REPORTING PERIOD

4SC has made a successful start to the second half of 2013. In July 2013, the Company announced that it had expanded its international patent protection for its epigenetic anti-cancer compound 4SC-202 to key pharmaceutical markets. In China, 4SC has already received the composition-of-matter patent for the anti-cancer compound; in Hong Kong, the authorities have stated that granting is imminent. In addition, the US Patent Office has supplemented the composition-of-matter patent for 4SC-202 with a Notification of Allowance for certain salts in the compound, which considerably extends the patent's term of protection in the USA.

In late July, 4SC announced that its Japanese partner Yakult Honsha Co., Ltd. started the clinical development of resminostat in the lung cancer (Non-Small-Cell Lung Cancer, NSCLC) indication in Japan. The multi-centre and randomised Phase I/II study will investigate the safety and efficacy of resminostat in combination with the cancer drug docetaxel vs. docetaxel monotherapy in up to in total 118 patients with advanced, metastatic, or recurrent NSCLC who have previously received one platinum-based chemotherapy.

5. ANTICIPATED DEVELOPMENTS

Forecast for the sector

According to a trend report from the German Biotech Industry Association (DIB), 80% of companies surveyed expect to see an upturn in business and higher revenue. Yet the general economic conditions for the biotech sector in Europe remain difficult overall. Structural problems will mean biotechnology companies will continue to face major challenges. According to an Ernst & Young report, a high level of development risk, long development timescales and a huge rise in drug development costs – coupled with the sector's continuing funding difficulties – will increasingly present major obstacles to German market participants.

In contrast to the challenging situation in Germany, the outlook on the capital markets continues to remain positive for the biotech sector, especially in the USA. Following 25 IPOs in the first six months of 2013, at least 13 other companies are now planning to go public – the vast majority of them in the US. No less than eight biotech companies first announced plans of this kind in the second quarter of 2013.

Forecast for the Company

Further operating and strategic development

During the rest of the year, 4SC will continue the systematic implementation of its focused R&D strategy. In so doing, 4SC will concentrate primarily on developing projects that offer the greatest potential for growing value and, in particular, on preparation for a clinical registration programme for the cancer drug resminostat in the indication of liver cancer. In turn, 4SC will make targeted cut-backs in development activities for other programmes or will discontinue them entirely.

Following the publication of excellent clinical data on overall survival from the Phase II SHELTER trial in liver cancer (HCC) in 2012, plus the Phase I results in colorectal cancer as well as initial results from the biomarker analysis in HCC and HL in the first half of 2013, further plans for resminostat in the current financial year include the publication of a more detailed data analysis from the SHELTER study in HCC as well as the publication of full results from the biomarker analysis in HCC and HL.

The Company is currently preparing the next value-creating milestones in the development of resminostat for the indication of HCC. As one example, 4SC is also making good progress in working with external partners to establish a larger-scale production process, so as to be able to produce sufficient quantities of resminostat as study medication for the compound's further clinical development.

4SC is currently preparing a pivotal clinical development plan for resminostat, used in combination with sorafenib as a first-line therapy of HCC, and will then discuss the further development steps with potential partners and regulatory authorities in the EU and the US. Subject to approval from the regulatory agencies, 4SC is pursuing an adaptive study design for the registration programme. This will consist of a preliminary Phase IIb stage, followed by a somewhat more substantial Phase III stage. Following a positive interim evaluation during the Phase IIb stage, an adaptive modification of the study can then be made as regards the number of patients required to register for the Phase III stage that starts immediately afterwards. Overall, this use of interim evaluation and possible adaptation yields a study design with a lower level of risk. As plans currently stand, 4SC assumes that around 650 patients will need to be recruited. In addition, 4SC also intends to integrate the analysis of the ZFP64 biomarker so it forms an integral part of the study. However, the development as an HCC second-line therapy remains a further attractive option for resminostat.

Alongside approval from the regulatory agencies and the production of the clinical trial medication, the commencement of this study is also conditional on securing financing for the Phase IIb stage. 4SC is now talking to potential partners with the aim of ensuring the financing and successful completion of the study.

Including the registration phase, 4SC expects the overall study to last around five years as matters currently stand. Assuming the Phase IIb stage of the study commences in the first six months of 2014, market approval could therefore be granted in 2019.

Despite the successful conclusion of the Phase I portion of the SHORE trial, the 4SC Management Board has resolved not to pursue development of resminostat in the

indication of colorectal cancer; accordingly, the Company can thus focus its activities in connection with resminostat entirely on development in the lead indication of liver cancer.

4SC is currently testing two other promising anti-cancer compounds, 4SC-202 and 4SC-205, in Phase I clinical trials. The Company currently assumes that it will be in a position to publish the results of the Phase I TOPAS dose escalation study with 4SC-202, its second epigenetic compound after resminostat, in patients with advanced haematological tumours in the second half of 2013. Data from the Phase I AEGIS trial with the oral cell division inhibitor 4SC-205 in patients with solid masses – a trial that was extended in December 2012 to include the testing of an innovative dosage scheme following positive study results – are scheduled to be published in the second half of 2013. This is due to the positive tolerability shown to date in the new dosage scheme.

For vidofludimus, the Company's lead compound for autoimmune diseases, activities are focusing on the search for suitable partners or investors with whose support the Company plans to conduct a Phase IIb trial in the Morbus Crohn indication. However, in line with its focused development strategy, 4SC will not take any further steps to develop vidofludimus without receiving additional financing from external sources.

Overall, 4SC aims to secure further licensing deals with companies from the pharma and biotech sectors to ensure the advancement of its clinical development programmes. This is intended to generate a flow of funds, safeguard the products' further development and enable 4SC to participate in the substances' successful future development.

The Group's subsidiary 4SC Discovery GmbH is currently focusing its efforts on securing further research collaborations with companies in the pharmaceutical and biotech sectors. 4SC Discovery GmbH is also planning further early-stage partnering deals for the development and commercialisation of its own research programmes.

The modified development strategy necessitates adjustments to the staffing structure – especially in preclinical and clinical development operations, but also in administration – and the closure of our Überlingen-Bonndorf office. During the second half of 2013, these changes will reduce the number of employees from 84 (as at 31 May 2013) by about 15%.

These measures are aimed at enhancing the Company's market position in the long term, further improving the efficiency of cost structures and enabling 4SC to utilise its funds and resources with a clear focus on the Company's main products.

Financial forecast

The 4SC Group had funds of EUR 9,212 thousand at the end of the second quarter of 2013. These existing funds are expected to secure Company financing into the third quarter of 2014. This forecast is based on the assumption that the average monthly operating cash burn rate in 2013 will be approximately EUR 0.6 million and that the Company's research and development programmes will continue to run according to plan. These assumptions do not include the execution of the pivotal study programme in the indication of liver cancer, as currently in preparation.

4SC expects its loss situation to continue into the short to medium term, although research and development costs in 2013 are currently expected to be lower than in 2012. Accordingly, the Group's operating loss – before adjustment for non-recurring effects in the form of restructuring costs and impairment losses due to streamlining its pipeline – should continue to decline year-on-year, thanks to falling costs and the expected rise in earnings as contributed by the activities of 4SC Discovery GmbH.

The decision to focus research and development activities, combined with adjustments to the corporate structure and a downsizing of the workforce by the end of 2013 will enable 4SC to further improve its cost structures by around 15% compared to figures at the end of May 2013. In conjunction with restructuring, moderate one-time

extraordinary expenses of an estimated €250 thousand will be recognised in the 2013 consolidated financial statements. From the 2014 financial year onwards, 4SC expects these adjustments to result in a significant, high six-figure reduction in staff costs.

Based on the strong performance of 4SC Discovery GmbH to date during the current financial year, the Management Board of 4SC AG currently expects this subsidiary to be able to achieve a balanced cash flow from operating activities in 2013.

On the whole, 4SC believes that it is positioned well for 2013 and beyond, given the promising clinical development programmes and the flow of clinical news that is expected to continue in the short and medium term based on the strengths in the area of early-stage research that are consolidated in 4SC Discovery GmbH plus the Company's decision at the beginning of May 2013 to focus on creating value and optimising its cost structure.

Planegg-Martinsried, 5 August 2013

Enno Spillner
Chairman of the
Management Board

Dr Bernd Hentsch
Member of the
Management Board

Dr Daniel Vitt
Member of the
Management Board

Interim consolidated financial statements of 4SC

for the period from 1 January to 30 June 2013

> CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in €000's

	Q2 2013	Q2 2012	6M 2013	6M 2012
Revenue	1,166	369	1,958	734
Cost of sales	-420	-62	-639	-99
Gross profit	**746**	**307**	**1,319**	**635**
Distribution costs	-163	-157	-337	-364
Research and development costs	-3,132	-3,152	-5,146	-6,071
Administrative costs	-878	-1,014	-2,002	-2,039
Other income	0	13	1	14
Operating profit/loss	**-3,427**	**-4,003**	**-6,165**	**-7,825**
Net finance income/loss				
Share in the profit of equity-accounted investees	11	5	50	98
Finance income	20	24	44	68
Finance costs	-1	-5	-4	-7
Net finance income/loss	**30**	**24**	**90**	159
Earnings before taxes	**-3,397**	**-3,979**	**-6,075**	**-7,666**
Income tax	0	0	0	-10
Profit/loss for the period = Consolidated comprehensive income/loss	**-3,397**	**-3,979**	**-6,075**	**-7,676**
Earnings per share (basic and diluted; in €)	-0.07	-0.09	-0.12	-0.18

> CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

in €000's

	30.06.2013	31.12.2012
Non-current assets		
Intangible assets	11,066	12,223
Property, plant and equipment	668	787
Investments accounted for using the equity method	204	154
Other assets	157	162
Total non-current assets	**12,095**	**13,326**
Current assets		
Inventories	24	22
Trade accounts receivable	660	3,084
Receivables from investees	0	0
Other financial assets	2,999	5,988
Cash and cash equivalents	6,213	6,076
Current income tax assets	66	127
Other assets	587	444
Total current assets	**10,549**	**15,741**
Total assets	**22,644**	**29,067**

> CONSOLIDATED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

in €000's

	30.06.2013	31.12.2012
Equity		
Subscribed capital	50,372	50,372
Share premium	78,414	78,414
Reserves	1,791	1,762
Net accumulated losses	-114,810	-108,735
Total equity	**15,767**	**21,813**
Non-current liabilities		
Deferred income	3,226	3,575
Other liabilities	136	180
Total non-current liabilities	3,362	3,755
Current liabilities		
Trade accounts payable	413	584
Accounts payable to associates	0	10
Deferred income	1,560	894
Other liabilities	1,542	2,011
Total current liabilities	**3,515**	**3,499**
Total equity and liabilities	**22,644**	**29,067**

> CONSOLIDATED STATEMENT OF CASH FLOWS

in €000's

	6M 2013	6M 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings before taxes	-6,075	-7,666
Adjustment for statement of comprehensive income items		
Depreciation and amortisation	595	618
Net finance income/loss	-90	-159
Stock options	29	62
Other non-cash items	709	-53
Changes in statement of financial position items		
Inventories	-2	-1
Trade accounts receivable	2,424	29
Current income tax assets	61	-44
Other assets	-138	-107
Trade accounts payable	-171	-117
Accounts payable to associates	-10	-12
Deferred income	317	-447
Other liabilities	-513	885
Interest received	47	123
Interest paid	-3	-1
Income taxes paid	0	-10
CASH FLOWS FROM OPERATING ACTIVITIES	**-2,820**	**-6,900**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	-20	-38
Purchase of property, plant and equipment	-17	-30
Proceeds from sales of property, plant and equipment	0	10
Purchase of financial investments	-1,000	-4,000
Sale of financial investments	3,994	12,000
CASH FLOWS FROM INVESTING ACTIVITIES	**2,957**	**7,942**
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions related to the implementation of the resolved capital increase	0	7,421
CASH FLOWS FROM FINANCING ACTIVITIES	**0**	**7,421**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**137**	**8,463**
+ Cash and cash equivalents at the beginning of the period	6,076	6,820
= CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**6,213**	**15,283**

> CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in €000's

	Subscribed capital	Share premium	Reserves		Contributions related to the implementation of the resolved capital increase	Net accumulated losses	Total
			Reserves Stock options	Retained earnings			
Balance on 01.01.2012	**41,968**	**75,451**	**1,565**	**67**		**-95,518**	**23,533**
Options issued (ESOP 2006/2008)			2				2
Options issued (ESOP 2009/2009)			56				56
Options issued (ESOP 2009/2010)			2				2
Options issued (ESOP 2009/2011)			2				2
Capital increase resolved, 29.06.2012					7,421		7,421
Comprehensive income/loss 01.01.-30.06.2012						-7,676	-7,676
Profit/loss for the period 01.01.-30.06.2012						*-7,676*	*-7,676*
Balance on 30.06.2012	**41,968**	**75,451**	**1,627**	**67**	**7,421**	**-103,194**	**23,340**
Balance on 01.01.2013	**50,372**	**78,414**	**1,695**	**67**	**0**	**-108,735**	**21,813**
Options issued (ESOP 2009/2009)			26				
Options issued (ESOP 2009/2010)			1				
Options issued (ESOP 2009/2011)			2				
Comprehensive income/loss 01.01.-30.06.2013						-6,075	-6,075
Profit/loss for the period 01.01.-30.06.2013						*-6,075*	*-6,075*
Balance on 30.06.2013	**50,372**	**78,414**	**1,724**	**67**	**0**	**-114,810**	**15,767**

Selected consolidated notes of 4SC

to the consolidated interim report as at 30 June 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

These interim consolidated financial statements were created in accordance with the accounting principles of the International Financial Reporting Standard (IFRS) – as adopted by the EU – in consideration of IAS 34 (interim financial reporting) in accordance with the requirements of the International Accounting Standards Board (IASB). The recommendations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) have been taken into account. New standards issued by the IASB and adopted by the European Commission are applied without exception starting in the financial year in which their application becomes mandatory.

1.2 Companies included in the consolidated financial statements

These interim consolidated financial statements as at 30 June 2013 comprise 4SC AG, based in Planegg-Martinsried, and its wholly-owned subsidiary 4SC Discovery GmbH, Planegg-Martinsried, which is fully consolidated (together referred to as the "Group" or "4SC"). The following companies were also taken into account in these financial statements:

Company / Domicile	Measured as	Measured acc. to
quattro research GmbH, Planegg-Martinsried	Associate	IAS 28
Quiescence Technologies LLC., Melbourne, Florida, USA	Equity investment	IAS 39

The financial statements for the previous year also included a 1.76% stake in Nexigen GmbH, Cologne. In accordance with IAS 39, this equity investment was shown as an "available-for-sale" financial asset and was measured at its fair value until it was fully disposed as at 8 October 2012 (IAS 39.46b).

1.3 Release of the financial statements

The consolidated interim report was approved for publication by the Management Board on 5 August 2013. The discussion of the interim report by the Supervisory Board or Audit Committee and the Management Board in line with the German Corporate Governance Code (as amended on 15 May 2012) was held via teleconference on 24 July 2013.

1.4 General disclosures

The accounting policies applied and estimates made essentially correspond to those used for the consolidated financial statements for the year ending 31 December 2012.

2. SEGMENT REPORTING

Since 1 January 2012, 4SC has used two operating segments – "Development" and "Discovery & Collaborative Business" – as its segment reporting format in line with its internal control (management approach). Each individual operating segment, along with its core business and core projects, is set out below.

Development

The Development segment comprises the clinical and preclinical development work for drug candidates from the Group's product pipeline and is conducted by the Group's parent company 4SC AG. As at 30 June 2013, it comprised the development programmes for resminostat, 4SC-202 and 4SC-205 as well as vidofludimus.

Discovery & Collaborative Business

The Discovery & Collaborative Business segment comprises the activities collectively handled by 4SC Discovery GmbH as at the end of the quarter (30 June 2013), namely drug discovery and early-stage research plus subsequent commercialisation, in particular through service business and research collaborations related to drug discovery and optimisation.

There was no intersegment revenue. The segment results were as follows:

> SEGMENT RESULTS

in €000's

	Development		Discovery & Collaborative Business		Not allocated		Consolidation		Group	
	6M 2013	6M 2012	6M 2013	6M 2012	6M 2013	6M 2012	6M 2013	6M 2012	6M 2013	6M 2012
Statement of comprehensive income										
Revenue (total)	**450**	**450**	**1,508**	**284**	**0**	**0**	**0**	**0**	**1,958**	**734**
External revenue	450	450	1,508	284	0	0	0	0	1,958	734
Intersegment revenue	0	0		0	0	0	0	0	0	0
Other income	**679**	**753**	**53**	**606**	**0**	**0**	**-731**	**-1,345**	**1**	**14**
Operating expenses	**-6,566**	**-7,413**	**-2,289**	**-2,495**	**0**	**0**	**731**	**1,335**	**-8,124**	**-8,573**
of which research and development costs	-4,273	-5,028	-1,357	-2,121	0	0	484	1,079	-5,146	-6,071
of which cost of sales, distribution costs and administrative costs	-2,293	-2,385	-932	-374	0	0	247	256	-2,978	-2,503
Segment result	**-5,437**	**-6,210**	**-728**	**-1,605**	**0**	**0**	**0**	**-10**	**-6,165**	**-7,825**
Net finance income/loss	**-1**	**-3**	**0**	**-1**	**91**	**162**	**0**	**0**	**90**	**159**
Earnings before taxes	**-5,438**	**-6,213**	**-728**	**-1,606**	**91**	**162**	**0**	**-10**	**-6,075**	**-7,666**
Income tax expense	0	-10	0	-10	0	0	0	**10**	**0**	-10
Net profit/loss for the year	**-5,438**	**-6,223**	**-728**	**-1,616**	**91**	**162**	**0**	0	-6,075	**-7,676**

	Development		Discovery & Collaborative Business		Not allocated		Consolidation		Group	
	30.06. 6M 2013	30.06. 6M 2012	30.06. 6M 2013	30.06. 6M 2012	30.06. 6M 2013	30.06. 6M 2012	30.06. 6M 2013	30.06. 6M 2012	30.06. 6M 2013	30.06. 6M 2012
Item of the statement of financial position & fixed assets										
Non-current assets	11,225	13,480	509	658	361	518	0	0	12,095	14,656
Current assets	22	377	912	228	9,415	16,693	0	0	10,549	17,298
Total segment assets	**11,447**	**13,857**	**1,421**	**886**	**9,776**	**17,211**	**0**	**0**	**22,644**	**31,954**
Equity	0	0	0	0	15,767	23,340	0	0	15,767	23,340
Non-current liabilities	3,225	4,236	107	0	0	0	0	0	3,362	4,236
Current liabilities	2,423	3,026	1,092	366	0	986	0	0	3,515	4,378
Total segment liabilities	**5,678**	**7,262**	**1,199**	**366**	**15,767**	**24,326**	**0**	**0**	**22,644**	**31,954**
Investments	12	59	25	9	0	0	0	0	37	68
Depreciation and amortisation	505	531	90	87	0	0	0	0	595	618

The following overview shows the regional distribution of the Group's revenue, based on the customers' geographic location:

in €000's

	6M 2013	6M 2012
Germany	704	184
Europe	804	0
Asia	450	550
Revenue	**1,958**	**734**

3. EARNINGS PER SHARE

The basic earnings per share are calculated in accordance with IAS 33.9 ff. by dividing the profit/loss for the period attributable to the shareholders (numerator) by the average weighted number of shares outstanding in the reporting period (denominator).

in €000's

	Q2 2013	Q2 2012	6M 2013	6M 2012
Based on profit/loss for the period (in €000's)	-3,397	-3,979	-6,075	-7,676
Based on average number of shares (in thsd.)	50,372	41,968	50,372	41,968
Earnings per share (basic and diluted, in €)	**-0.07**	**-0.09**	**-0.12**	**-0.18**

Given 4SC's loss, the options issued are not dilutive. As a result, the diluted and basic earnings per share are identical.

4. NOTES TO THE CASH BALANCE

In addition to cash and cash equivalents, 4SC has liquid funds that are predominantly invested in borrower's note loans and bearer notes for better return. Taken together, these items comprise the cash balance/funds:

in €000's

	30.06.2013	31.12.2012	30.06.2012
Cash and cash equivalents at the end of the period	6,213	6,076	15,283
Other financial assets	2,999	5,988	1,000
Cash balance/funds	**9,212**	**12,064**	**16,283**

5. SHAREHOLDINGS AND DIRECTORS' DEALINGS

In the second quarter of 2013 no reportable transactions pursuant to Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz - WpHG) were made with shares or options by members of the Management Board or Supervisory Board.

The following overviews show the shares and stock options held by members of the Management Board and Supervisory Board as at the 30 June 2013 reporting date as well as changes in these holdings compared to the start of the year.

Number of shares

	Shares 01.01.2013	Purchase	Sale	Shares 30.06.2013
Management Board				
Dr Daniel Vitt	416,803	0	0	416,803
Enno Spillner	73,800*	0	0	73,800
Shares held by the Management Board	**490,603**	**0**	**0**	**490,603**
Supervisory Board				
Dr Thomas Werner	5,000	0	0	5,000
Dr Clemens Doppler	18,593	0	0	18,593
Dr Manfred Rüdiger	20,000	0	0	20,000
Shares held by the Supervisory Board	**43,593**	**0**	**0**	**43,593**

* Of these, 3,800 shares resulting from a non-reportable purchase in Q4 2011 were reported subsequently in Q1 2013.

Number of stock options

	Options 01.01.2013	Additions	Expired	Exercised	Options = maximum number of shares 30.06.2013
Management Board					
Dr Daniel Vitt	142,600	0	0	0	142,600
Dr Bernd Hentsch	152,720	0	0	0	152,720
Enno Spillner	249,200	0	26,000	0	223,200
Options held by the Management Board	**544,520**	**0**	**26,000**	**0**	**518,520**

6. RELATED PARTY TRANSACTIONS

4SC engaged in the following significant business transactions with related parties in the period from 1 January 2013 to 30 June 2013:

quattro research GmbH, Planegg-Martinsried, Germany (associate)

4SC maintains legal relations with quattro research GmbH, in which it has held a 48.8% stake of the share capital since its founding at the beginning of 2004. A software service contract exists between the companies, on the basis of which quattro research GmbH renders services for improvement, further development, user support, further training and database maintenance for software created by 4SC for supporting research activities. In the first six months of 2013, this contract had a net volume of €60 thousand (H1 2012: €91 thousand). Hardware worth €1 thousand (H1 2012: €0) was supplied by quattro research GmbH to 4SC.

Donner & Reuschel Bank, Hamburg (DRB) (other related parties)

DRB has been providing services to 4SC AG as a designated sponsor since April 2012. As a result of this contract, 4SC AG incurred costs of €10 thousand in the six-month reporting period (H1 2012: €5 thousand plus an additional €7 thousand from a consulting agreement in connection with the optimisation of relations with private and institutional investors which was terminated at the end of March 2012).

Based on the contract signed in December 2005, DRB has assumed the function of payment and depository agent for 4SC, which triggers an annual expenditure of €3 thousand.

One of DRB's Management Board members, Marcus Vitt, is a brother of 4SC's Management Board member, Dr Daniel Vitt.

Other related party transactions

Beyond this, there were further business transactions with related parties, where the transaction volume in the six-month reporting period in each case did not exceed €10 thousand or where the total annual transaction volume is likely not to exceed €10 thousand..

7. REVIEW REPORT

These interim consolidated financial statements and the interim Group management report as at 30 June 2013 have been subjected to a review by Rölfs RP AG Wirtschaftsprüfungsgesellschaft, Munich.

8. EVENTS AFTER THE REPORTING PERIOD

For more information regarding events after the reporting period, please see section 4 of the interim group management report, "Events after the reporting period". In this section, the direct effects on the Group's financial performance, cash flows and financial position are explained.

Review Report

To 4SC AG, Planegg-Martinsried, District of Munich, Germany

We have reviewed the interim consolidated financial statements - comprising the consolidated statement of comprehensive income, consolidated statement of financial position, the consolidated statement of cash flows, consolidated statement of changes in equity as well as selected explanatory consolidated notes - together with the interim Group management report of 4SC AG, Planegg-Martinsried, District of Munich, for the period from January 1 to June 30, 2013 that are part of the consolidated half-year financial report according to Section 37w WpHG ("Wertpapierhandelsgesetz": "German Securities Trading Act"). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS as adopted by the EU and of the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim Group management reports is the responsibility of the Company´s legal representatives. Our responsibility is to issue review report on the condensed interim consolidated financial statements and the interim management report of the Group based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim management report of the Group in accordance with 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 respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim management report of the Group has not been prepared, in material respects, in accordance with the provisions of the German Securities Trading Act 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 consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim management report of the Group has not been prepared, in all material respects, in accordance with the requirements of the German Securities Trading Act applicable to interim group management reports.

Without qualifying this opinion, we refer to the discussion in section 5 in the interim management report of the Group. Therein it is disclosed that the Company´s ability to continue as a going concern in the medium and long term depends on the contribution of cash or liquid assets in the form of equity capital and/or debt financing, if cooperation and partnership agreements should not generate sufficient funds.

Munich, 7 August 2013

Rölfs RP AG Wirtschaftsprüfungsgesellschaft

Stahl
(German Public Auditor)

Hund
(German Public Auditor)

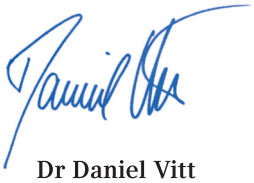
Responsibility Statement

„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 in accordance with German accepted accounting principles, 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 material opportunities and risks associated with the expected development of the group for the remaining months of the financial year."

Planegg-Martinsried, 5. August 2013

Enno Spillner
Chairman of the
Management Board

Dr Bernd Hentsch
Member of the
Management Board



Dr Daniel Vitt
Member of the
Management Board

Financial calendar

> Financial calendar 2013

9 months consolidated financial report (30 September 2013)	7 November 2013
Analyst conference: German Equity Forum, Frankfurt	11-13 November 2013

Publishing information

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