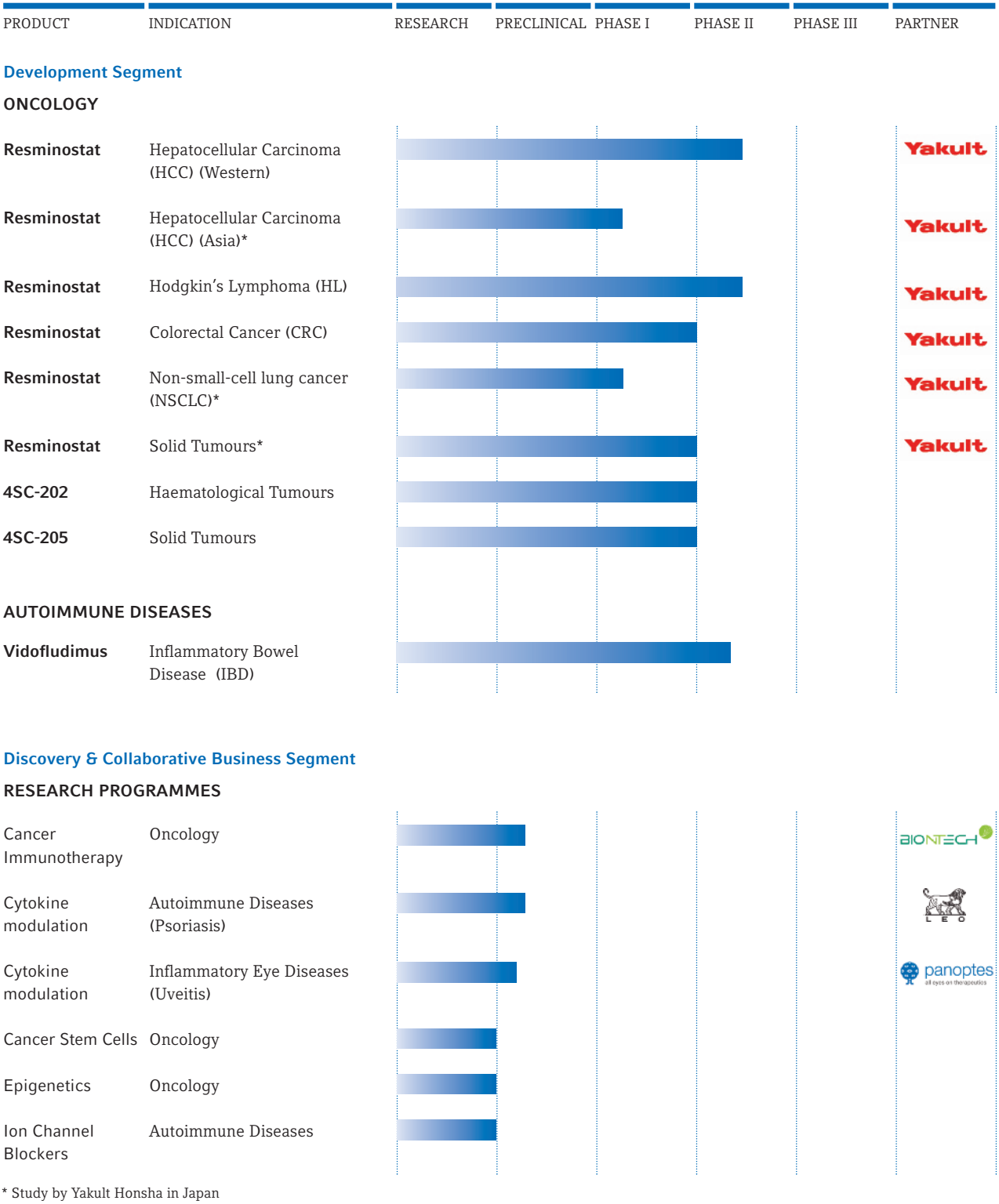
9-MONTH CONSOLIDATED FINANCIAL REPORT

30 SEPTEMBER 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 4 November 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 cancer and autoimmune diseases in indications with a high unmet medical need and major economic potential. We wish to offer affected patients treatment options that are more effective and better tolerated to provide a better quality of life. In turn, we hope to 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. Our focus is on fields of research with especially promising futures – 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 early-stage pharmaceutical research.

4SC was established in 1997. 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 4 November 2013

4SC Group – Key figures at a glance

in € 000's unless stated otherwise

	Q3 2013	Q3 2012	Change in %	9M 2013 resp. 30.09.2013	9M 2012 resp. 30.09.2012	Change in %
Financial performance, cash flows and financial position						
Revenue	1,766	294	501	3,724	1,028	262
Operating profit/loss	-2,083	-4,495	54	-8,248	-12,320	33
Profit/loss for the period	-2,111	-4,460	53	-8,186	-12,136	33
Earnings per share (basic and diluted) (in €)	-0.04	-0.09	56	-0.16	-0.27	41
Equity (end of period)				13,669	22,846	-40
Equity ratio (end of period) in %				68.6	73.5	-4.9%P
Total assets (end of period)				19,929	31,062	-36
Monthly cash inflow (+)/outflow (-) from operations (average)[1]				-590	-1,310	55
Capital measures (net)				0	11,766	-100
Cash and cash equivalents (end of period)				6,750	15,797	-57

	Q3 2013	Q3 2012	Change in %	9M 2013 resp. 30.09.2013	9M 2013 resp. 30.09.2012	Change in %
Staff						
Total number of employees (incl. Management Board) (end of period)				78 [2]	90	-13
Number of full-time employees (incl. Management Board) (end of period)				57 [2]	79	-28

[1] Calculation: (Change in cash funds at end of period compared with the end of the prior period + proceeds from the capital increase) / 9

[2] As a result of employees being released from work prior to the official end of their employment as part of the restructuring, the total number of employees actually working in the company is smaller than the number given here. The number of full-time employees (FTEs) already includes the cases of employees being released from work prematurely in connection with the restructuring. For more details, see the interim group management report, chapter 1.3.4, p. 12.

Key events in the third quarter of 2013

> In the third quarter of 2013, 4SC completed its work to sharpen the focus of its development strategy and adjust its organisational and personnel structures. The Company has systematically advanced its research and development activities and achieved key operating milestones. 4SC has focused its efforts in particular on further developing its lead compound resminostat along the path to market maturity in the indication of advanced liver cancer (hepatocellular carcinoma, HCC)

> July 2013:

Resminostat: Yakult Honsha Co., Ltd. starts clinical development in Japan in further tumour indication

Yakult Honsha Co., Ltd., 4SC's exclusive partner for the development and marketing of resminostat in Japan since 2011, commences a clinical Phase I/II trial in the indication of non-small-cell lung cancer (NSCLC). Alongside liver cancer, colorectal cancer and Hodgkin's lymphoma, this marks the clinical development of resminostat in a fourth tumour indication.

4SC-202: Significant expansion of patent protection

4SC significantly expands patent protection for its innovative epigenetic anti-cancer compound 4SC-202. The composition-of-matter patent was granted in China and granting is imminent in Hong Kong. After having obtained the composition-of-matter patent in the United States 4SC has now received a notification of allowance for a further patent covering certain salts of 4SC-202, enabling the Company to expand the term of the patent for 4SC-202 significantly.

> September 2013:

Resminostat: Manifestations of ZFP64 biomarker and other patient characteristics correlate with patient survival in HCC and Hodgkin's lymphoma – study results published at ILCA (Washington) and ECCO (Amsterdam) research conferences

The biomarker analysis of two Phase II trials with resminostat in HCC and Hodgkin's lymphoma reveals that patients with a high level of ZFP64 apparently respond especially well to treatment with resminostat. Around two-thirds of patients exhibit elevated ZFP64 blood levels before treatment commences. This translates into a statistically significant doubling of overall survival for this patient group. Further patient characteristics before the start of treatment with resminostat correlate with an extension of overall survival in the indication of liver cancer. 4SC will apply these results in designing the planned registration trial with resminostat in HCC, so as to make further progress towards market approval for resminostat in combination with the potential predictive biomarker ZFP64 as a personalised cancer therapy in the indication of liver cancer.

4SC Discovery: Partnership with Panoptes Pharma initiated in the field of inflammatory eye diseases

4SC Discovery transfers the patent for a compound discovered in-house for combating inflammatory eye diseases to the Austrian biotech company Panoptes Pharma Ges.m.b.H. In return, 4SC Discovery receives a 24.9% share in Panoptes Pharma and participates in future development successes in the form of performance-based milestone payments and royalty payments.

Letter to the shareholders

Dear Shareholders,
Dear Friends and Partners of 4SC.

Today, I am pleased to be able to use this report to inform you that we have successfully implemented our programme for focusing on 4SC's long-term value drivers. We have reduced our operating costs, streamlined our administrative activities and conducted a targeted reorganisation of our R&D work. In our business operations, centre stage is taken by our most advanced compound resminostat, an exceptionally promising agent for the treatment of liver cancer.

Resminostat is well on the way to market maturity. We are currently in the process of preparing the pivotal (i.e. approval-relevant) study for the treatment of advanced liver cancer (HCC). Both the medical need and the market potential are especially high for applications in this area. The trial is due to start in mid-2014, following the successful conclusion of the necessary preparations and green light from the regulatory agencies. To expedite the achievement of this goal, we are now engaged in close collaboration with the responsible regulatory agencies. 4SC has already successfully manufactured the compound required for these planned clinical tests.

Starting in July 2013, Yakult Honsha Co., Ltd. has been testing resminostat in Japan for non-small-cell lung cancer, besides its application for first-line therapy of liver cancer. Due to its market volume, the Japanese oncology market is of particular relevance for 4SC. Yakult Honsha has been exclusively developing resminostat in Japan since 2011.

4SC has achieved a key milestone with the identification of the ZFP64 biomarker. In patient blood samples, ZFP64 exhibits an easily measurable, stable and reproducible regulation of its expression pattern as a consequence of treatment via resminostat. This observation was made, ex post, both for patients with advanced liver cancer in the Phase II SHELTER trial and in our Phase II SAPHIRE trial with advanced Hodgkin's lymphoma patients. For the patient group exhibiting elevated ZFP64 blood levels before treatment started, overall survival during treatment with resminostat doubled. These results indicate a strongly predictive character for this biomarker within these tumour indications. This would enable us to improve our forecasts of how a specific patient will respond to treatment with resminostat and thus improve the long-term efficiency and effectiveness of treatment by conducting individual patient selection. Further tests are planned in this respect.

Alongside resminostat, we are also focusing our efforts on the development of our cancer compounds 4SC-202 and 4SC-205. With 4SC-202, we significantly expanded international patent protection in China, Hong Kong and the USA during the reporting period. One effect of this oral epigenetic agent is to inhibit the signalling pathways in cancer cells that play a key role in cancer development and growth. We expect the results of our Phase I TOPAS trial for patients with haematological tumours by late 2013.

As for vidofludimus, our compound for treating autoimmune diseases, we remain in discussions with potential project partners concerning options for further external development in the indication of Crohn's disease.

We also have an encouraging success to report as regards our subsidiary 4SC Discovery GmbH. 4SC Discovery has agreed to a patent transfer with the Austrian biotechnology company Panoptes Pharma Ges.m.b.H. Our wholly-owned research subsidiary has discovered a promising substance with an anti-inflammatory effect. Panoptes Pharma will continue to develop this substance for therapeutic use in the field of severe inflammatory eye diseases such as uveitis and epidemic keratoconjunctivitis (EKC). The market potential is impressive: globally, millions of patients suffer from these currently untreatable diseases. The transaction has seen 4SC Discovery acquiring 24.9% of the young biotechnology company. In addition, 4SC Discovery will receive performance-related milestone payments plus a share of subsequent sales revenue.

The positive development of resminostat as a therapy for liver cancer, the strengthening of patent protection for our innovative anti-cancer compound 4SC-202 and the milestone for our biomarker ZFP64 underpin our leading role in the field of epigenetic cancer drugs. We will continue to push ahead with our negotiations with potential development, project and financial partners as regards the further clinical development and the market launch of resminostat.

I therefore have every confidence that our vision of achieving the first 4SC-branded drug will become a reality in the foreseeable future.

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, November 2013

Enno Spillner
Chairman of the Management Board

Interim group management report

1. BUSINESS PERFORMANCE

1.1 Economic Environment

Macroeconomic development

The International Monetary Fund (IMF) sees economic prospects dimming further by the end of the year. Its current forecast on global economic growth dated October 2013 reflects this assessment with a renewed downgrade of 0.2 percentage points to 2.9% currently. Uncertainty about the consequences of tightened monetary policy in the United States, high unemployment levels in Europe and weaker growth in emerging and developing countries are the main reasons cited by the IMF.

For this group of countries, the IMF therefore lowered the expected growth rate from 5.0% to 4.5%. The Chinese economy is likely to expand by 7.6% this year and remain the driving force among emerging and developing economies, according to the IMF.

In the United States, the economy is still being held back by massive spending cuts to the federal budget. The IMF consequently anticipates the US economy to expand by only 1.6% (previously 1.7%).

In contrast, IMF economists revised the euro zone's outlook slightly upwards. The decline in economic output is expected to be only 0.4% this year rather than the previous estimate of 0.6%. This improvement is mainly attributed to the German economy, for which the IMF is now predicting growth of 0.5% (previously 0.3%).

Developments in the biotech and pharmaceuticals sector

As in the first six months of this year, the North American biotech industry was able to operate in a very positive capital market environment again in the third quarter of 2013. The NASDAQ Biotechnology Index has seen an above-average gain of 50% since the start of the year, thus reaching historical highs. A total of 17 initial public offerings (IPOs) were held in the period from July to September, generating issuing proceeds totalling US-$1.3 billion. In the nine-month period, 42 companies already completed IPOs with total issuing proceeds amounting to approximately US-$2.9 billion.

Listed companies in the United States also continue to enjoy a positive market climate for capital increases. In the third quarter of 2013, 32 companies raised US-$1.6 billion in fresh cash by means of capital increases, up US-$0.3billion over the prior-year quarter. In total, 97 follow-on financing deals were conducted in the first nine months of this year with a total volume exceeding US-$8.1 billion.

Encouraging from 4SC Group's viewpoint was the private financing round successfully completed in August 2013 by US-based Syndax Pharmaceuticals Inc., which raised US-$26.6 million for the company. Syndax will use these funds to conduct a Phase III registration trial for its HDAC inhibitor entinostat for breast cancer. The company, like 4SC, aims to develop combination therapies with conventional anti-cancer drugs and focus on solid tumours, a particularly attractive field of therapy from a commercial standpoint. In terms of 4SC's competitive environment, it is important to note that competitors of 4SC have suffered setbacks in the clinical development of their treatments for liver cancer. For instance, the US biotech company Arqule was required to reduce the dose of its drug tivantinib by 50% due to side effects in a registration trial for liver cancer on the advice of the FDA. Both everolimus (by Novartis) and Pexa-Vec (by Transgene) failed to meet their objectives in advanced clinical trials as second-line treatment options for patients with advanced liver cancer (HCC).

The German biotech sector continues to enjoy a stable stock market climate, but the ongoing difficulty of the industry to obtain financing – especially among smaller companies – still poses a challenge. Encouraging signs were seen, however, in the capital increase by German market leader Morphosys AG in September 2013. In this transaction, 1.51 million new shares were sold to institutional investors at the market price, i.e. without a discount. The offering was oversubscribed several times and generated funds of €84 million for the company.

1.2 4SC on the stock markets

In the first nine months of 2013, 4SC AG's shares lost 7% of their value, thus underperforming the DAXsubsector Biotechnology (+26%) and NASDAQ Biotechnology (+50%) benchmark indices. As at 30 September 2013, 4SC AG's shares closed at €1.94, putting the Company's market capitalisation at €97.7 million.

In the third quarter of 2013, the share price bounced back to a large extent, gaining 19% as against the second quarter. This share price trend was buoyed by positive corporate news, such as the identified impact of both the ZFP64 biomarker expression and other patient characteristics on the survival rate of liver cancer patients treated with resminostat as well as the still generally positive capital market environment.

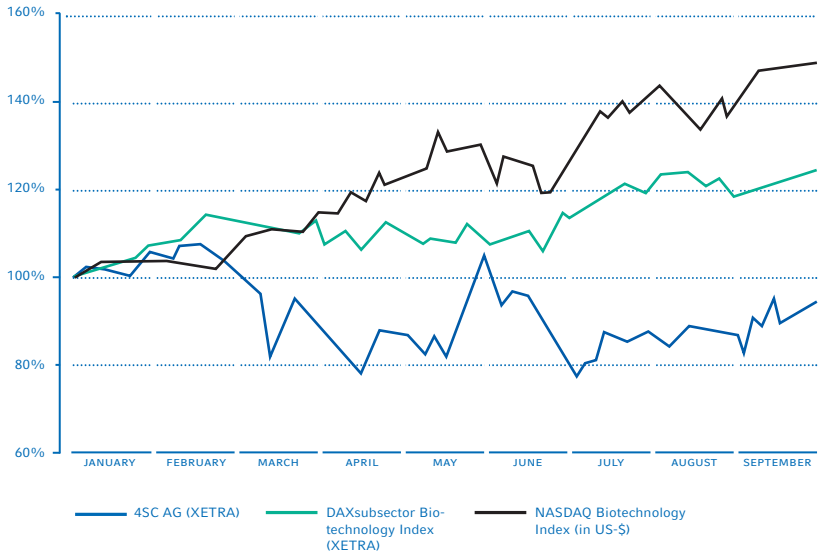
The liquidity of 4SC shares declined substantially in the first nine months with an average daily trading volume on all German exchanges, including Tradegate, of 36,629 compared with 58,618 in the first nine months of 2012.

> KEY FIGURES OF THE 4SC SHARE

	Q3 2013	Q3 2012	9M 2013	9M 2012
Number of shares issued (average, in 000's)	50,372	50,372	50,372	44,769
Free float (%)	30.3	30.0	30.3	30.0
3- resp. 9-month high (XETRA) (€)	1.94	2.25	2.20	3.03
3- resp. 9-month low (XETRA) (€)	1.58	1.34	1.58	1.32
Price at beginning of the period (XETRA) (€)	1.66	1.51	2.09	1.28
Price at end of the period (XETRA) (€)	1.94	2.04	1.94	2.04
Market capitalisation at end of the period (€000's)	97,721	102,759	97,721	102,759
Average daily trading volume (all markets incl. Tradegate, shares)*	27,457	59,444	36,629	58,618

(*) Due to a computation error, the figures for the daily trading volume stated in the consolidated financial reports for both the first quarter of 2013 and the first half of 2013 were too high.

> SHARE PRICE (in % indexed on 4SC AG, 01.01.2013 - 30.09.2013)



1.3 Business review for the reporting period

The 4SC Group (hereinafter also "4SC", "the Company" or "the Group") completed its work to sharpen the focus of its research and development strategy and adjust its organisational and personnel structures in the third quarter of 2013 and achieved key operating milestones in both Group segments ("Development" and "Discovery & Collaborative Business").

1.3.1 Development segment

The Development segment covers the development of clinical and preclinical drug candidates from the product pipeline as conducted by the Group's parent company 4SC AG. As at the end of the third quarter of 2013, the segment comprised the compounds resminostat, 4SC-202 and 4SC-205 as well as vidofludimus.

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 advanced oncology compound. Up to now, resminostat has been clinically tested in a broad development programme, both as monotherapy and in combination with other drugs.

Treatment of liver cancer (HCC)

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 pursues market approval in this indication primarily as a first-line therapy. The application of resminostat as HCC second-line therapy still is an attractive alternative option. The Company is currently preparing a pivotal (approval-relevant) Phase IIb/III trial programme with resminostat, used in combination with the cancer drug sorafenib as a first-line therapy for HCC. Assuming green light is given by the regulatory agencies, 4SC will be pursuing an adaptive study design with around 650 patients in all. This will consist of a preliminary Phase IIb stage, followed by an interim evaluation and then a more substantial Phase III stage. The substance needed for the study (CMC agent production) was manufactured in the third quarter of 2013, and drug formulation optimisation work was also started. Study protocol and study design work also continued. Finally, 4SC also initiated selection interviews with CROs (Contract Research Organisations), i.e. service partners for handling clinical trial operations. As regards study financing, 4SC is currently talking to potential partners and investors.

As part of the completed Phase II SHELTER trial investigating resminostat in the indication of liver cancer, a strong correlation was identified between overall survival and selected patient characteristics plus the biomarker ZFP64. These results were presented at two research conferences in September 2013 – the ILCA (International Liver Cancer Association) Annual Conference in Washington D.C./USA and the European Cancer Congress (ECCO) in Amsterdam/The Netherlands. The ZFP64 biomarker was identified ex post in two studies conducted by 4SC with resminostat for liver cancer (HCC) (SHELTER study) and Hodgkin's lymphoma (HL) (SAPHIRE study), and a patent has been applied for this biomarker. Patients displaying higher levels of ZFP64 prior to treatment with resminostat for HCC and HL exhibited a statistically significant ($p = 0.04$) doubling of median overall survival, compared to patients with lower levels of ZFP64. Around 60% of HCC patients (65% of HL patients) exhibited elevated ZFP64 blood levels before beginning treatment with resminostat. It was also shown that resminostat's epigenetic mechanism of action significantly reduces ZFP64 biomarker levels in the blood cells of liver cancer patients. 4SC therefore plans to further investigate ZFP64 as a predictive biomarker in the planned registration trial, with the aim of achieving market approval for resminostat as a personalised cancer therapy in the indication of liver cancer.

Start of clinical Phase I/II trial in new indication of non-small-cell lung cancer (NSCLC)

Yakult Honsha Co., Ltd., 4SC's Japanese development partner for resminostat, has begun its own Phase I/II trial in the indication of non-small-cell lung cancer (NSCLC) with resminostat in Japan. Alongside liver cancer, colorectal cancer and Hodgkin's lymphoma, this marks the clinical development of resminostat in a fourth tumour indication.

4SC-202

4SC-202 is the second epigenetic anti-cancer compound in the Company's clinical development portfolio. 4SC-202 – a selective inhibitor of protein deacetylases HDAC 1, 2 and 3 – modulates the Hedgehog and Wnt pathways critical for tumour development and proliferation, and is thus also effective against cancer stem cells. The compound is currently being clinically investigated in a Phase I trial (TOPAS study) involving patients with haematological tumours.

A composition-of-matter patent was granted for 4SC-202 in China in the third quarter. In Hong Kong, the authorities have stated that granting is imminent. In addition to having granted the composition-of-matter patent for 4SC-202, the US Patent Office has now also issued a notification of allowance for the patent covering certain salts of 4SC-202, including tosylate salt. This will enable 4SC to significantly extend the duration of patent protection for 4SC-202 in the United States.

4SC-205

The anti-cancer compound 4SC-205, a cell division inhibitor, inhibits the Eg5 kinesin spindle protein. This protein molecule plays a key role in the mitosis (cell division) of cancer cells, and therefore in their proliferation. Following the positive results on safety, pharmacokinetics and biomarkers published in late 2012 from the clinical Phase I AEGIS trial, the study has been extended in the current financial year, so as to investigate additional dosage regimes.

AUTOIMMUNE DISEASES

Vidofludimus

Vidofludimus is an orally administered small-molecule compound for the treatment of autoimmune diseases and is 4SC's most advanced drug candidate in this field of therapy. In clinical development, vidofludimus has exhibited promising results in the field of inflammatory bowel disease (IBD) during an initial Phase IIa trial. In the course of streamlining its development strategy, 4SC has decided not to allocate any internal resources to the further development of vidofludimus. The Company is currently engaged in negotiations with potential project partners and investors, with the aim of financing and conducting a planned Phase IIb trial in the indication of Crohn's disease.

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 third quarter, work continued in the research collaborations started in 2013 with the Danish pharmaceutical company LEO Pharma A/S, the German biopharmaceutical company BioNTech AG and the Belgian pharmaceutical company UCB S.A.

In addition, 4SC Discovery GmbH also signed a patent transfer agreement with the Austrian biotech company Panoptes Pharma Ges.m.b.H. for a new compound in the field of inflammatory eye diseases. On the terms of this agreement, Panoptes receives all patent rights for a small-molecule, pre-clinical substance discovered by 4SC Discovery with the target indications of uveitis and epidemic keratoconjunctivitis (EKC). There is an urgent medical need to develop improved treatments for both diseases. For its part, 4SC Discovery receives a 24.9% share in Panoptes Pharma and is entitled to subsequent, performance-based milestone payments and a share of sales revenue (royalties) generated by the compound. Furthermore, 4SC Discovery has the right to use the compound in the therapeutic fields of rheumatoid arthritis and inflammatory bowel disease.

1.3.3 Significant events at Group level

The Company's work on re-orienting its development strategy to focus on its value drivers was completed in the third quarter, as were adjustments to the Company's organisational and personnel structures.

1.3.4 Staff

As at 30 September 2013, the 4SC Group employed a total of 78 members of staff (including the Management Board of 4SC AG and the executive management of 4SC Discovery GmbH) (31 December 2012: 86). Of this total, 52 worked in the Development segment (4SC AG) at the end of the third quarter, with the remaining 26 working in the Discovery & Collaborative Business segment (4SC Discovery GmbH). On average, the 4SC Group employed a workforce of 83 in the first nine months of 2013 (9M 2012: 91).

If one also considers part-time employees, employees on parental leave and those employees released from work before the official expiry date of their employment contracts as part of the restructuring resolved in the second quarter of 2013, the resulting figure for full-time equivalent (FTE) staff at the end of the third quarter was 57 FTEs, compared to 74 FTEs as at 31 December 2012. As at 30 September 2013, 78% of these FTEs (31 December 2012: 69%) worked in Research and Development, with the remaining 22% (31 December 2012: 31%) working in Sales and Administration.

During the course of the restructuring resolved in the second quarter of 2013 to adjust organisational and personnel structures to the focused development strategy, 13 members of staff were laid off for operational reasons. Of these, a number of staff had already left the company by 30 September 2013, with the remainder being released from work. Accordingly, the number of people actually working at the Company comprised 66 employees and 57 FTEs as at 30 September 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 nine 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 third quarter of 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 up again in the third quarter, increasing fivefold to €1,766 thousand (Q3 2012: €294 thousand). In the first nine months of the year, consolidated revenue thus increased by 262% year-on-year to €3,724 thousand (9M 2012: €1,028 thousand). The cooperation agreements signed with BioNTech AG and LEO Pharma A/S, Denmark, in December 2012 and February 2013 were the main drivers of this positive development along with revenue from cost allocations to 4SC AG cooperation partners in connection with the development and execution of the compound manufacturing process amounting to €706 thousand (9M 2012: €502 thousand).

The Development segment saw revenue jump sharply by 313% to €926 thousand in the quarter under review (Q3 2012: €224 thousand). The increase in accumulated revenue to €1,376 thousand was consequently also robust (9M 2012: €673 thousand). In the Discovery & Collaborative Business segment, revenue growth was also dynamic: This figure increased substantially to €840 thousand as against the prior-year quarter (Q3 2012: €70 thousand) and fivefold to €2,348 thousand in the first nine months (9M 2012: €354 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 €3,869 thousand in the third quarter of 2013, a decrease of 19% on the prior-year figure (Q3 2012: €4,805 thousand). At €11,993 thousand, the figure for the first nine months was down 10% year-on-year (9M 2012: €13,378 thousand).

The Development segment accounted for €9,650 thousand (9M 2012: €11,616 thousand) of operating expenses in the first nine months, while the Discovery & Collaborative Business segment incurred €3,358 thousand (9M 2012: €3,634 thousand) and the consolidation accounted for -€1,015 thousand (9M 2012: -€1,910 thousand).

As a result of sharpening the focus of the development strategy as resolved in the second quarter of 2013, expenses reflect two non-recurring extraordinary factors which led to an extraordinary increase in expenses totalling €1,201 thousand in the second quarter. For one thing, non-recurring non-cash expenses of €718 thousand were reported under research and development costs. These resulted from the impairment losses charged on three capitalised patents as a consequence of streamlining the product pipeline. For another, operating expenses in the second quarter of 2013 included 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 will be reversed during the year's second half. This amount decreased accordingly to €304 thousand in the third quarter. As a result, expenses were ultimately increased by a total of €1,022 thousand due to extraordinary effects in the nine-month period.

Research and development costs incurred in connection with drug development continued to make up the majority of expenses. They were down 28% to €2,788 thousand compared with the prior-year quarter (Q3 2012: €3,859 thousand) and 20% to €7,934 thousand in the first nine months (9M 2012: €9,930 thousand), on account of the reduced clinical study activities, the implementation of targeted cost-cutting measures and a positive extraordinary factor of €107 thousand resulting from the restructuring measures implemented in the second quarter. After adjusting for the extraordinary factors, research and development costs amounted to €2,895 thousand in the third quarter and to €7,123 thousand in the first nine months.

The increase in the cost of sales to €427 thousand in the reporting quarter (Q3 2012: €109 thousand) and to €1,066 thousand in the first nine months (9M 2012: €208 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, increased by 186% year-on-year to €63 thousand (Q3 2012: €22 thousand) but rose only marginally by 4% to €400 thousand in a nine-month comparison (9M 2012: €386 thousand).

Administrative costs fell to €591 thousand in the quarter under review (Q3 2012: €815 thousand), although this includes a one-off positive extraordinary effect of €72 thousand from prepaid staff costs in the second quarter in conjunction with the personnel adjustments implemented. Further reductions in administrative costs were mainly due to streamlining expenses. Some of these cost-cutting effects were, however, offset by the costs incurred from the early termination of the contract with the former Chief Executive Officer Dr Ulrich Dauer. For the first nine months of 2013, the administrative costs amounting to €2,593 thousand fell 9% below the prior-year figure (9M 2012: €2,854 thousand).

Operating profit/loss

The Company's loss from operating activities decreased by 54% in the third quarter and by 33% in the first nine months of the year on the back of higher revenue and lower operating expenses. The operating loss posted for July to September 2013 amounted to €2,083 thousand (Q3 2012: €4,495 thousand), while the operating loss for January to September 2013 amounted to €8,248 thousand (9M 2012: €12,320 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 €304 thousand incurred in connection with the adjustment of personnel structures to the focused development strategy, the operating loss in the first nine months of the year was only €7,226 thousand, down 41% on the prior-year figure.

Net finance income/loss

The net finance income in the third quarter, which totalled -€28 thousand, was 180% lower than the prior-year's net finance income (Q3 2012: €35 thousand) after a quarterly loss of €32 thousand at associated company quattro research GmbH. For the nine-month period, net finance income declined to €62 thousand (9M 2012: €194 thousand). The share in the profit/loss of associates was €18 thousand in the first nine months of 2013, following €99 thousand in the previous year. Interest income was also down due to lower interest rates in conjunction with a conservative investment strategy and a smaller volume of funds invested (9M 2013: €52 thousand after 9M 2012: €104 thousand). Interest expense fell to €8 thousand (9M 2012: €9 thousand).

Taxes

In the third quarter of 2013 and the first nine months of 2013, 4SC did not report a tax income/expense figure (9M 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 decreased by 53% year-on-year to €2,111 thousand in the third quarter (Q3 2012: €4,460 thousand) and by 33% to €8,186 thousand in the first nine months (9M 2012: €12,136 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 €0.04 in the third quarter of 2013 (Q3 2012: -€0.09) and to €0.16 in the first nine months of 2013 (9M 2012: -€0.27).

2.2 Financial position

Non-current assets

Non-current assets amounted to €11,846 thousand as at 30 September 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 previously explained one-off impairment losses of €718 thousand charged on three patents in connection with the Company's decision to focus its development strategy. Non-current assets were increased by the 24.9% investment in the share capital of Panoptes Pharma Ges.m.b.H., Vienna, for €8 thousand. Intangible assets remained the largest item of non-current assets in the statement of financial position, amounting to €10,858 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 €8,083 thousand as at 30 September 2013 is mainly the result of two factors. Funds (comprising cash and cash equivalents and other financial assets) fell to €6,750 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 €620 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 €13,669 thousand as at 30 September 2013 was driven primarily by the loss for the period of €8,186 thousand, lifting net accumulated losses accordingly, from €108,735 thousand to €116,921 thousand. The equity ratio declined by 6.4 percentage points, from 75.0% as at 31 December 2012 to 68.6% at 30 September 2013.

Non-current liabilities

Non-current liabilities decreased by 18% to €3,062 thousand as at 30 September 2013 compared with the 2012 reporting date (31 December 2012: €3,755 thousand). This figure continues to consist largely of deferred income in connection with the partnership with Yakult Honsha Co., Ltd., Japan, amounting to €2,905 thousand as at 30 September 2013 (31 December 2012: €3,575 thousand).

Current liabilities

Current liabilities fell by 9% to €3,198 thousand compared with the 2012 reporting date (31 December 2012: € 3,499 thousand). Whereas other liabilities dropped from €2,011 thousand as at 31 December 2012 to €1,413 thousand on account of the decrease in accrued liabilities in the reporting period, deferred income increased from €894 thousand to €1,491 thousand. Behind this development is the license option 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 €19,929 thousand as at 30 September 2013, down 31% 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 nine months 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 EUR 1,549 thousand (including from the amortisation of intangible assets and depreciation of property, plant and equipment as well as the one-off impairment losses on three patents), which means that with a pre-tax loss of EUR 8,186 thousand, the Company recorded cash outflows from operating activities of just EUR 5,221 thousand. In the comparative 2012 period, a pre-tax loss of €12,126 thousand resulted in cash outflows in the amount of €11,699 thousand.

Cash flows from investing activities

The cash inflows from investing activities in the first nine months of 2013 amounted to €4,893 thousand, compared with €2,665 thousand in the same period of 2012. In the reporting period and in the previous year, only small investments were made in fixed assets (9M 2013: €90 thousand; 9M 2012: €100 thousand). An investment of €8 thousand was made by contributing this amount to the share capital of Vienna-based Panoptes Pharma Ges.m.b.H. In the reporting period, the purchase and sale of financial investments resulted in net cash inflows of €4,983 thousand, compared with cash inflows of €2,755 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. The net cash flows of €11,766 thousand from financing activities in the first nine months of 2012 were due to the funds raised in connection with the capital increase that was successfully completed on 3 July 2012.

Cash balance/funds

Cash and cash equivalents amounted to €5,748 thousand at the end of the reporting period. Additional funds in the amount of €1,002 thousand were invested in short-term fixed-interest securities. As at 30 September 2013, the Company thus had cash and available-for-sale securities totalling €6,750 thousand, compared with €12,064 thousand as at 31 December 2012. This results in an average monthly outflow of cash from operations amounting to €590 thousand in the first nine months of 2013 (9M 2012: €1,310 thousand).

3. REPORT ON RISKS AND OPPORTUNITIES

Please see pages 78 to 89 of the consolidated annual report as at 31 December 2012 and the consolidated half-year financial report as at 30 June 2013 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.

4. EVENTS AFTER THE REPORTING PERIOD

At the beginning of November 2013, 4SC Discovery GmbH and CRELUX GmbH (Planegg-Martinsried) jointly announced the start of a partnership with the German biotechnology company AiCuris GmbH & Co. KG, Wuppertal. Working on behalf of AiCuris, 4SC Discovery GmbH and CRELUX GmbH will pursue the identification and validation of new small molecule compounds for the treatment of infectious diseases. The research work will be based on the i2c technology platform provisioned jointly by CRELUX GmbH and 4SC Discovery GmbH.

5. ANTICIPATED DEVELOPMENTS

Forecast for the sector

Following highly positive developments in the first nine months of 2013, investors anticipate that conditions as regards the stock market and financing will remain favourable for the US biotech sector. No fewer than 17 sector companies have announced forthcoming IPOs, more than half of these in the United States. Since US biotech stock trading prices are already high, however, investors expect to see this stock market rally suffer a slowdown or even setbacks, and are now also showing increased interest in undervalued European sector stocks.

Forecasts from market analysts suggest the downward trend in the pharmaceuticals industry has now bottomed out, despite the losses suffered by leading players in the first half of 2013. Following last year's US-$40 billion slump in industry sales as a result of the expiry of key patents, a further downturn in sales amounting to US-$30 billion is expected for the current year. Recovery for the sector is nonetheless expected from 2014 onwards, with annual average growth rate forecasts to 2018 ranging between 3.8% and 4.5%.

Forecast for the Company

Further operating and strategic development

4SC will continue the systematic implementation of its focused R&D strategy. Here, the Company is concentrating in particular on development of those projects that offer the 4SC Group the greatest potential for growing value.

4SC continues to work on operational preparations for a clinical Phase IIb/III registration trial for resminostat as a first-line therapy for HCC, applied as a combination therapy with the cancer drug sorafenib and in consideration of the predictive biomarker ZFP64. Agenda items in this context include further work on the CMC process (tablet production) and the selection of a suitable service partner for handling study execution. In addition, the Company intends to intensify negotiations with the regulatory agencies in the EU and the USA with the aim of finalising and releasing the study protocols. The Company currently expects the study to start somewhere around mid-year 2014.

Alongside completion of the operational preparations and green light from the regulatory agencies, study commencement is also conditional on securing financing for the Phase IIb stage of the trial. Parallel to operational preparations, 4SC is currently in talks with potential partners with the aim of ensuring the financing and successful execution of the study. The application of resminostat as a second-line therapy for HCC continues to offer the Company an attractive, alternative option for the future.

4SC is currently testing two other cancer compounds, 4SC-202 and 4SC-205, in Phase I clinical trials. The Company assumes that it will be in a position to publish the first results of the Phase I TOPAS dose escalation study with the epigenetic compound 4SC-202 in patients with advanced haematological tumours in the fourth quarter of 2013. Also making progress is 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 regime following positive study results. Due to the positive tolerability shown to date in the new dosage scheme, 4SC does not expect results to be available before late 2013 or early 2014.

For vidofludimus, the lead compound for autoimmune diseases, current activities focus on discussions with potential project partners and investors to support the Company plans to pursue the further development of the compound, with one particular goal being a Phase IIb trial in the indication of Crohn’s disease.

Overall, 4SC aims to secure further licensing deals with companies from the pharmaceutical and biotech sectors, to drive the advancement of its clinical development programmes. The aim is to achieve a short-term flow of funds on the one hand while optimally exploiting the development programmes' long-term value creation potential.

In the Discovery & Collaborative Business segment, the Group's subsidiary 4SC Discovery GmbH will continue to pursue service and research partnerships with companies in the pharmaceutical and biotech sectors. 4SC Discovery GmbH is also planning to enter into further early-stage partnering deals for the development and commercialisation of its own research programmes.

Financial forecast

The 4SC Group had funds of €6,750 thousand at the end of the third quarter of 2013. This is expected to be sufficient to secure Company financing into the third quarter of 2014, not including the start of a pivotal liver cancer trial. This forecast is based on the assumption that the average monthly operating cash burn rate in 2013 will be approximately €600 thousand and that the Company's research and development programmes will continue to run according to plan.

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 the previous year. Including the expected contribution to earnings of the activities of 4SC Discovery GmbH, the consolidated operating loss for 2013 – before extraordinary effects – should therefore improve further compared with 2012.

From the start of the pivotal trial with resminostat in the indication of liver cancer described in this report, development costs can be anticipated to rise sharply due to the trial expenses incurred, which will in turn cause the cash burn rate and operating loss to increase again.

The extraordinary expenses in the consolidated financial statements for 2013 associated with personnel restructuring resolved in the second quarter are expected to total a one-time amount of €250 thousand. Along with the impairment loss of €718 thousand on three patents connected with the streamlining of the pipeline, extraordinary expenses of somewhat less than €1,000 thousand stemming from the adjustment of the development strategy resolved in the second quarter will be recognised in the consolidated annual result for 2013. As the result of adjustment in personnel structures, 4SC looks forward to a significant reduction in annual staff costs in the high six-digit euro range starting from the 2014 financial year.

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

After successful completion of the streamlining of the corporate strategy focusing on the value drivers in the third quarter of 2013, 4SC believes that it is positioned well for 2013 and beyond thanks to its promising clinical development programmes, the flow of positive clinical news that is expected to continue in the short and medium term and the strengths in the area of early-stage research consolidated in 4SC Discovery GmbH.

Planegg-Martinsried, 4 November 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 September 2013 (unaudited)

> CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in €000's

	Q3 2013	Q3 2012	9M 2013	9M 2012
Revenue	1,766	294	3,724	1,028
Cost of sales	-427	-109	-1,066	-208
Gross profit	**1,339**	**185**	**2,658**	**820**
Distribution costs	-63	-22	-400	-386
Research and development costs	-2,788	-3,859	-7,934	-9,930
Administrative costs	-591	-815	-2,593	-2,854
Other income	20	16	21	30
Operating profit/loss	**-2,083**	**-4,495**	**-8,248**	**-12,320**
Net finance income/loss				
Share in the profit of equity-accounted investees	-32	1	18	99
Finance income	8	36	52	104
Finance costs	-4	-2	-8	-9
Net finance income/loss	**-28**	**35**	**62**	**194**
Earnings before taxes	**-2,111**	**-4,460**	**-8,186**	**-12,126**
Income tax	0	0	0	-10
Profit/loss for the period = Consolidated comprehensive income/loss	**-2,111**	**-4,460**	**-8,186**	**-12,136**
Earnings per share (basic and diluted; in €)	-0.04	-0.09	-0.16	-0.27

> CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

in €000's

	30.09.2013	31.12.2012
Non-current assets		
Intangible assets	10,858	12,223
Property, plant and equipment	651	787
Investments accounted for using the equity method	180	154
Other assets	157	162
Total non-current assets	**11,846**	**13,326**
Current assets		
Inventories	23	22
Trade accounts receivable	620	3,084
Receivables from investees	0	0
Other financial assets	1,002	5,988
Cash and cash equivalents	5,748	6,076
Current income tax assets	70	127
Other assets	620	444
Total current assets	**8,083**	**15,741**
Total assets	**19,929**	**29,067**

> CONSOLIDATED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

in €000's

	30.09.2013	31.12.2012
Equity		
Subscribed capital	50,372	50,372
Share premium	78,414	78,414
Reserves	1,804	1,762
Net accumulated losses	-116,921	-108,735
Total equity	**13,669**	**21,813**
Non-current liabilities		
Deferred income	2,905	3,575
Other liabilities	157	180
Total non-current liabilities	**3,062**	**3,755**
Current liabilities		
Trade accounts payable	294	584
Accounts payable to associates	0	10
Deferred income	1,491	894
Other liabilities	1,413	2,011
Total current liabilities	**3,198**	**3,499**
Total equity and liabilities	**19,929**	**29,067**

> CONSOLIDATED STATEMENT OF CASH FLOWS

in €000's

	9M 2013	9M 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings before taxes	-8,186	-12,126
Adjustment for statement of comprehensive income items		
Depreciation and amortisation	880	942
Net finance income/loss	-62	-194
Stock options	42	93
Other non-cash items	689	-38
Changes in statement of financial position items		
Inventories	-1	3
Trade accounts receivable	2,464	50
Receivables from associates	0	2
Current income tax assets	57	-50
Other assets	-171	-12
Trade accounts payable	-290	-303
Accounts payable to associates	-10	13
Deferred income	-73	-670
Other liabilities	-621	460
Interest received	68	150
Interest paid	-7	-9
Income taxes paid	0	-10
CASH FLOWS FROM OPERATING ACTIVITIES	**-5,221**	**-11,699**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	-20	-51
Purchase of property, plant and equipment	-70	-49
Proceeds from sales of property, plant and equipment	8	10
Acquisition of equity interests	-8	0
Purchase of financial investments	-1,000	-8,245
Sale of financial investments	5,983	11,000
CASH FLOWS FROM INVESTING ACTIVITIES	**4,893**	**2,665**
Payments to subscribed capital	0	8,404
Payments to share premium	0	3,362
CASH FLOWS FROM FINANCING ACTIVITIES	**0**	**11,766**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**-328**	**2,732**
+ Cash and cash equivalents at the beginning of the period	6,076	6,820
= CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**5,748**	**9,552**

> CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in €000's

			Reserves			
	Subscribed capital	Share premium	Reserves Stock options	Retained earnings	Net accumulated losses	Total
Balance on 01.01.2012	**41,968**	**75,451**	**1,565**	**67**	**-95,518**	**23,533**
Options issued (ESOP 2006/2008)			3			3
Options issued (ESOP 2009/2009)			83			83
Options issued (ESOP 2009/2010)			4			4
Options issued (ESOP 2009/2011)			3			3
Capital increase 03.07.2012	8,404	2,952				11,356
Comprehensive income/loss 01.01.-30.09.2012					-12,136	-12,136
Profit/loss for the period 01.01.-30.09.2012					*-12,136*	*-12,136*
Balance on 30.09.2012	**50,372**	**78,403**	**1,658**	**67**	**-107,654**	**22,846**
Balance on 01.01.2013	**50,372**	**78,414**	**1,695**	**67**	**-108,735**	**21,813**
Options issued (ESOP 2009/2009)			38			38
Options issued (ESOP 2009/2010)			1			1
Options issued (ESOP 2009/2011)			3			3
Comprehensive income/loss 01.01.-30.09.2013					-8,186	-8,186
Profit/loss for the period 01.01.-30.09.2013					*-8,186*	*-8,186*
Balance on 30.09.2013	**50,372**	**78,414**	**1,737**	**67**	**-116,921**	**13,669**

Selected consolidated notes of 4SC

to the consolidated interim report as at 30 September 2013 (unaudited)

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 September 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
Panoptes Pharma Ges.m.b.H., Vienna, Austria	Associate	IAS 28

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 4 November 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 2013) was held via teleconference on 24 October 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 September 2013, it comprises 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 September 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	
	9M 2013	9M 2012	9M 2013	9M 2012	9M 2013	9M 2012	9M 2013	9M 2012	9M 2013	9M 2012
Statement of comprehensive income										
Revenue (total)	**1,376**	**673**	**2,348**	**355**	**0**	**0**	**0**	**0**	**3,724**	**1,028**
External revenue	1,376	673	2,348	355	0	0	0	0	3,724	1,028
Intersegment revenue	0	0	0	0	0	0	0	0	0	0
Other income	**952**	**1,127**	**84**	**812**	**0**	**0**	**-1,015**	**-1,910**	**21**	**30**
Operating expenses	**-9,650**	**-11,616**	**-3,358**	**-3,634**	**0**	**0**	**1,015**	**1,873**	**-11,993**	**-13,378**
of which research and development costs	-6,688	-8,316	-1,908	-3,115	0	0	662	1,502	-7,934	-9,930
of which cost of sales, distribution costs and administrative costs	-2,962	-3,300	-1,450	-519	0	0	353	371	-4,059	-3,448
Segment result	**-7,322**	**-9,815**	**-926**	**-2,468**	**0**	**0**	**0**	**-37**	**-8,248**	**-12,320**
Net finance income/loss	**-5**	**-2**	**0**	**-1**	**67**	**197**	**0**	**0**	**62**	**194**
Earnings before taxes	**-7,327**	**-9,817**	**-926**	**-2,469**	**67**	**197**	**0**	**-37**	**-8,186**	**-12,126**
Income tax expense	0	-10	0	-10	0	0	0	10	0	-10
Net profit/loss for the year	**-7,327**	**-9,827**	**-926**	**-2,479**	**67**	**197**	**0**	**-27**	**-8,186**	**-12,136**

	Development		Discovery & Collaborative Business		Not allocated		Consolidation		Group	
	30.09. resp. 9M 2013	30.09. resp. 9M 2012	30.09. resp. 9M 2013	30.09. resp. 9M 2012	30.09. resp. 9M 2013	30.09. resp. 9M 2012	30.09. resp. 9M 2013	30.09. resp. 9M 2012	30.09. resp. 9M 2013	30.09. resp. 9M 2012
Item of the statement of financial position & fixed assets										
Non-current assets	11,003	13,163	515	617	328	529	0	0	11,846	14,309
Current assets	245	319	748	262	7,090	16,172	0	0	8,083	16,753
Total segment assets	**11,248**	**13,482**	**1,263**	**879**	**7,418**	**16,701**	**0**	**0**	**19,929**	**31,062**
Equity	0	0	0	0	13,669	22,846	0	0	13,669	22,846
Non-current liabilities	3,050	3,932	12	0	0	0	0	0	3,062	3,932
Current liabilities	2,174	3,482	1,022	350	0	452	0	0	3,198	4,284
Total segment liabilities	**5,224**	**7,414**	**1,034**	**350**	**13,671**	**23,298**	**0**	**0**	**19,929**	**31,062**
Investments	28	89	62	11	0	0	0	0	90	100
Depreciation and amortisation	742	812	138	130	0	0	0	0	880	942

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

in €000's

	9M 2013	9M 2012
Germany	1,108	255
Europe (excluding Germany)	1,240	0
Asia	1,376	773
Revenue	**3,724**	**1,028**

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

	Q3 2013	Q3 2012	9M 2013	9M 2012
Based on profit/loss for the period (in €000's)	-2,111	-4,460	-8,186	-12,136
Based on average number of shares (in thsd.)	50,372	50,372	50,372	44,769
Earnings per share (basic and diluted, in €)	**-0.04**	**-0.09**	**-0.16**	**-0.27**

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 for better return. Taken together, these items comprise the cash balance/funds:

in € 000's

	30.09.2013	31.12.2012	30.09.2012
Cash and cash equivalents at the end of the period	5,748	6,076	9,552
Other financial assets	1,002	5,988	6,245
Cash balance/funds	**6,750**	**12,064**	**15,797**

5. SHAREHOLDINGS AND DIRECTORS' DEALINGS

In the third 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 September 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 30.09.2013
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 30.09.2013
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

There were no significant changes regarding related party transactions in the third quarter 2013 compared to the disclosures made in the annual report as at 31 December 2012 and the consolidated interim report as at 30 June 2013.

7. 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.

Financial calendar

> Financial calendar 2013

Analyst conference: German Equity Forum, Frankfurt	11 November 2013

Publishing information

EDITOR
4SC AG, Am Klopferspitz 19a, 82152 Planegg-Martinsried, Germany

CORPORATE COMMUNICATIONS & INVESTOR RELATIONS
Jochen Orlowski
Mail: jochen.orlowski@4sc.com
Phone: +49-89-7007-630

FIGURES OF THE 4SC SHARE
German SIN 575381
ISIN DE0005753818
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CONCEPT, DESIGN
Hardy Lahn | Brand Consulting
Landsberg am Lech/Germany
www.hardylahn.de

CONCEPT, TEXT
Anke Banaschewski (GFD - Gesellschaft für Finanzkommunikation mbH)
www.gfd-finanzkommunikation.de

4SC AG
Am Klopferspitz 19a,
82152 Planegg-Martinsried
Germany
Phone: +49-89-7007-630
Fax: +49-89-7007-63-29
www.4sc.com