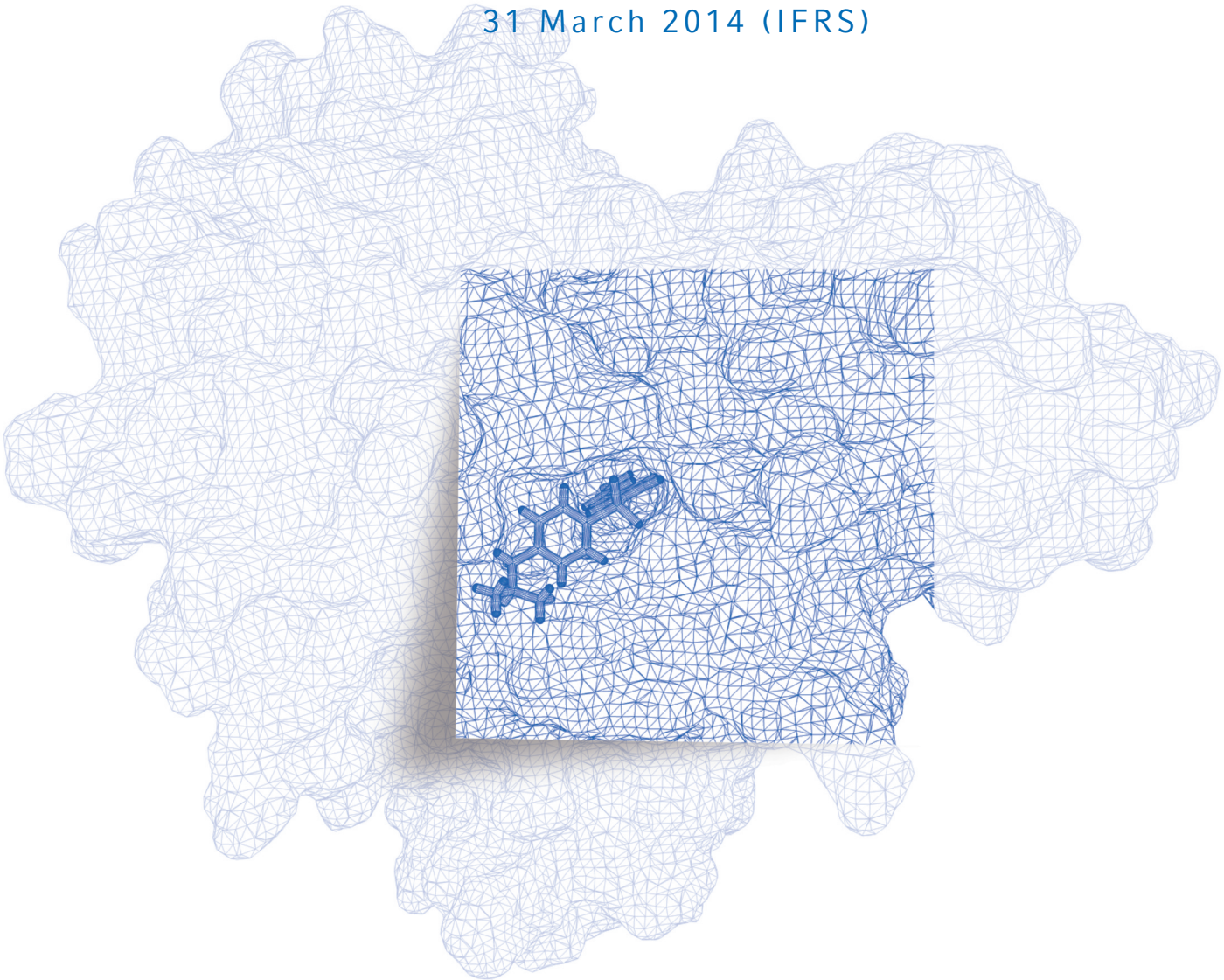
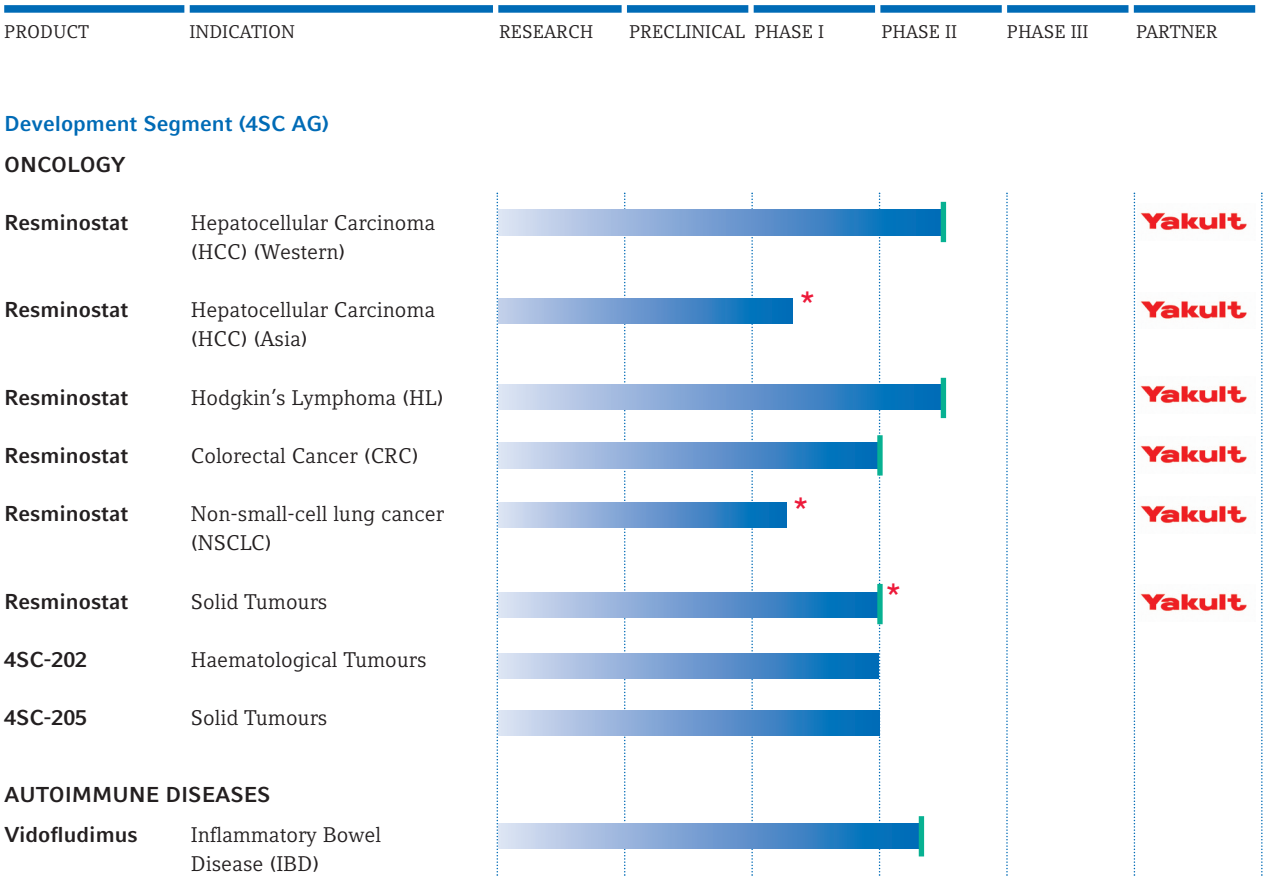
3 MONTHS CONSOLIDATED FINANCIAL REPORT

31 March 2014 (IFRS)



4SC PRODUCT PIPELINE (as at 6 May 2014)



4SC AT A GLANCE

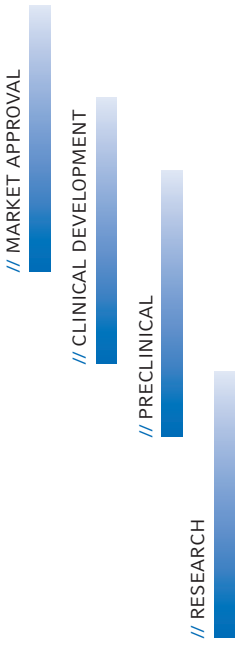
Headquartered in Planegg-Martinsried near Munich, 4SC is a highly innovative biotech company with a focus on research and development.

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 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 attractive fields of research such as epigenetics, cancer stem cells, and other, important molecular signalling patterns that contribute to the development and proliferation of cancer and autoimmune diseases.

Through development and marketing partnerships with pharmaceutical and biotech companies, we want to bring 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. 4SC AG has been listed on the Prime Standard of the Frankfurt Stock Exchange since December 2005 (ISIN DE0005753818).



// 4SC GROUP*

4SC AG

Development Segment

Management Board:

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

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

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 6 May 2014

4SC GROUP – KEY FIGURES AT A GLANCE

in € 000's unless stated otherwise

	Q1 2014	Q1 2013	Change in %
Financial performance, cash flows and financial position			
Revenue	1,440	792	82
Operating profit/loss	-2,123	-2,738	22
Profit/loss for the period	-2,121	-2,678	21
Earnings per share (basic and diluted) (in €)	-0.04	-0.05	25
Equity (end of period)	9,259	19,149	-52
Equity ratio (end of period) in %	59.1	72.0	-12.9%P
Total assets (end of period)	15,674	26,582	-41
Monthly cash inflow (+)/outflow (-) from operations (average)[1]	-709	60	-1,282
Capital and financing measures (net)	433	0	n/a
Cash and cash equivalents (end of period)	2,771	12,243	-77

	Q1 2014	Q1 2013	Change in %
Staff			
Total number of employees (incl. Management Board) (end of period)	64	86	-26
Number of full-time employees (incl. Management Board) (end of period)	55	74	-26

[1] Calculation: (Change in cash funds at year-end compared with the previous year + proceeds from the capital and financing measures) / 12

KEY EVENTS IN THE FIRST QUARTER OF 2014

> February:

4SC AG: New financing partner

4SC signed an agreement with YA Global Master SPV Ltd. (Yorkville) according to which Yorkville agrees to underwrite convertible bonds in the amount of up to €15 million. The proceeds of each tranche will contribute to the short- and medium-term financing of 4SC and financing of the operational preparations for the planned late-phase development of resminostat in the indication of liver cancer.

> March:

4SC AG: First tranche of convertible notes issued

The first tranche of the financing generated proceeds of €500 thousand for the Company, after deducting a 5% discount for Yorkville.

4SC Discovery: Grant of €1.3 million for cooperation with Heidelberg University Hospital

4SC's research subsidiary received a commitment for €1.3 million in public funds for research into and preclinical further development of a new malaria drug. On successful completion of the two-year collaboration, 4SC plans to out-license the compound to an industry or development partner because malaria is not one of the Company's core indication areas.

4SC AG: Changes to the Management Board and strengthening of clinical development expertise in the extended management team

Chief Development Officer Dr Bernd Hentsch left the Company when his contract expired on 31 March 2014. His responsibility will be added to the portfolio of Chief Scientific Officer Dr Daniel Vitt. To support the strategic and operational management of clinical development programmes, 4SC hired Dr Samson Fung from February 2014. A medical doctor and oncologist by training, Samson Fung is an experienced external pharmaceuticals manager with proven expertise in the clinical development of cancer drugs who will assist the Company in advancing resminostat in particular.

LETTER FROM THE MANAGEMENT BOARD

Dear Shareholders, dear Friends and Partners of 4SC,

4SC has made a positive start to the year.

We managed to acquire a funding partner both well-known to us and of excellent standing in the international biotech sector: YA Global Master SPV Ltd. (Yorkville). In February 2014, we signed an agreement according to which Yorkville has agreed to underwrite convertible bonds in the (nominal) amount of up to €15 million until the end of 2016. We received an initial tranche nominally valued at €0.5 million – i.e. after deducting a 5% discount for Yorkville – in early March 2014. Revenue from this funding line is intended to make a significant contribution to the Company's short- and medium-term financing, and to operational preparations for the further clinical development of our compound resminostat in the indication of liver cancer.

In so doing, we have taken an important initial step towards safeguarding the financing of the Company. Other steps are to follow. We are making every effort to pursue a range of solutions.

We are also making progress in our operational research and development activities. The focus here remains firmly fixed on our main value driver resminostat. Following consultations with regulatory agencies and clinical key opinion leaders (KOLs), we are currently preparing the next important step in developing resminostat along the path to market approval in the clinically and commercially significant indication of liver cancer. In a clinical Phase II first-line study, we wish to investigate the efficacy of resminostat in combination therapy with the cancer drug sorafenib, compared to the current standard treatment (sorafenib as a monotherapy). This study will be the first randomised controlled trial of resminostat and will also further investigate the ZFP64 biomarker identified last year. Our objective here is to verify the encouraging findings of our completed Phase IIa SHELTER study, while establishing the environment needed for an attractive, international pharmaceutical partnership and for the subsequent Phase III registration trial.

Preparations for our study are already at an advanced stage. We are currently working with a service provider (CRO) to finalise the details of the study protocol. Assuming we obtain both financing and green light from the regulatory authorities, we expect to be able to officially submit an application to the health agencies for commencing the trial, among others based on an US IND (Investigational New Drug Application) to the FDA before the end of the year.

We are also enjoying the fruits of our partnership with Yakult Honsha. The Japanese pharmaceutical company is resolutely committed to the development of resminostat in Japan. In early May, we were able to report that Yakult had successfully completed a Phase I trial involving patients with solid tumours and that 4SC had duly received a contractually agreed milestone payment – another important contribution to the Company's financing. Yakult is also making good progress in the two Phase I/II trials it started in 2013 in the indications of liver cancer (HCC) and

non-small-cell lung cancer (NSCLC). The Phase II results of these trials should be available prior to the findings from our own planned Phase II trial, and therefore offer another important set of data on resminostat's efficacy.

We also have every confidence in our second epigenetic anti-cancer compound, 4SC-202. Last year, the good tolerability profile meant we were able to test the compound in numerous additional doses and dosage schemes for patients with haematological tumours in the ongoing open-label Phase I trial. Here, the compound returned some promising initial data on anti-tumour efficacy in patients. Patient recruitment is now complete. We are greatly looking forward to the trial findings, which we hope to make public in the second quarter of 2014. 4SC-202 influences key pathways within cancer cells and is thus also capable of targeting cancer stem cells. This could help the Company pioneer the development of a new and highly attractive field in oncology.

Our subsidiary 4SC Discovery presented good news in the first quarter. The company is working with Heidelberg University Hospital to progress a new malaria compound through formal preclinical development. A grant of €1.3 million underlines the importance of this project. As malaria does not feature within our core indication areas of oncology and autoimmune diseases, we would ideally be looking to out-license the compound to an industrial or development partner once this project concludes.

We are also on the right track as regards company financing. On the cost side, we are benefiting from the strategic re-focusing and organisational restructuring the Company completed in 2013. Taking into account other planned inflows and collaborative business revenue earned by our subsidiary 4SC Discovery, we are on track to further improve the Group's operating result from last year's figure.

While we have a number of positive first-quarter developments to report, we remain very much aware of the major challenges we have yet to face. These include in particular the securing of long-term company financing and the further clinical development of our main value driver resminostat. We are redoubling our efforts here and I am confident that our dedicated team will achieve a successful outcome. This concerted team effort is also our chosen strategy for realising our vision of the first approved 4SC-developed drug.

To our long-serving Chief Development Officer Dr Bernd Hentsch, who left the Company on 31 March 2014 on the expiry of his contract, I would like to offer my heartfelt thanks – both personally and on behalf of the whole team – for his positive and constructive teamwork. We remain in contact via a consultancy agreement and can thus continue to benefit from his know-how should the need arise. My Management Board colleague and CSO Dr Daniel Vitt has added the Development portfolio to his other duties with effect from the second quarter of 2014. In this role, he is supported by Dr Samson Fung, our external oncologist and pharmaceutical manager, who has been sharing his wealth of clinical expertise with us since February 2014, with a particular focus on the development of resminostat.

In all our activities, we rely on the confidence in 4SC's business success shown by our shareholders, staff, business partners and friends. We therefore wish to express our heartfelt thanks for their loyalty and dedication.

Yours sincerely,

Planegg-Martinsried, May 2014

Enno Spillner
Chairman of the Management Board

1. BUSINESS PERFORMANCE

1.1 Economic Environment

Macroeconomic development

Following regular downward revisions of its economic forecasts last year, the International Monetary Fund (IMF) is now significantly more optimistic about the future. In its latest forecast dated April 2014, the organisation estimates that global economic growth will strengthen to 3.6% in the current year, due in particular to the improved economic situation in the industrialised countries.

However, the IMF also points out that the anticipated economic recovery remains weak and uneven and there is still a risk of new crises. This primarily stems from the low level of inflation, which could lead to deflation, especially in the euro zone. A positive trend depends principally on the central banks – especially the US Federal Reserve – not curtailing their economic support measures too quickly.

For the group of emerging market and developing economies, the IMF is forecasting an increase of 4.9% for 2014, with China (7.5%) and India (5.4%) remaining the driving forces.

The IMF estimates that the economies of the industrialised countries will expand by 2.2%. The US economy is performing particularly well and is slated to grow by 2.8%. The organisation expects an increase in economic output of 1.2% for the euro zone as well – following two years of recession. This rise is driven primarily by the German economy, which the IMF anticipates to grow by 1.7%.

Developments in the biotech and pharmaceuticals sector

After starting the year on a strong note, the valuation of biotech companies in March 2014 led to a substantial downward revision worldwide. This was something that had been expected by many market participants given the high valuation level achieved. In spite of this revision, the sector indices were up over the quarter.

In the first three months of 2014, the industry continued to benefit from an excellent financing environment, especially in the United States. Industry analysts BioCentury determined that 36 IPOs of biotech companies took place in this period with a total volume of $2.6 billion. This corresponds to two-thirds of the aggregate proceeds from IPOs in 2013. Follow-on financing arrangements over the stock exchange brought in $4.7 billion for 61 biotechnology companies in the quarter under review.

While the financing conditions for German biotech companies are still significantly less favourable than in the United States, a sizeable improvement was seen in the first quarter of 2014. The capital increases of companies in the industry in Germany – Paion, Mologen and Biofrontera – underpin this development.

In the first three months of 2014, relevant announcements regarding the publication of clinical data and regulatory news in the segments in which 4SC operates included the following: Pharmaceutical giant Bayer experienced a setback in the further development of sorafenib, its drug for treatment of liver cancer, in a Phase III trial. The trial was unable to confirm that in adjuvant therapy the drug delays recurrence of liver cancer as assumed. The Spanish biotech company Oryzon Genomics S.A. sold the global rights to the development and marketing of an epigenetic LSD1 inhibitor to pharmaceutical group Roche. With its drug candidate 4SC-202, 4SC is targeting the same target molecule as the Oryzon compound, among other things.

1.2 4SC on the stock markets

After a good start to the year (XETRA opening price on 2 January 2014: €1.60), 4SC AG's shares continuously lost ground from mid-January 2014 onwards owing to relatively strong, non-news-driven selling pressure despite high revenue. The securities ended the quarter under review down 15%, trading at €1.36 on 31 March 2014. Accordingly, the Company's market capitalisation as at 31 March 2014 amounted to €68.6 million. In March 2014, the valuation of biotechnology companies was revised downwards worldwide, which also affected 4SC AG's shares. The two benchmark indices, NASDAQ Biotechnology and DAXsubsector Biotechnology, were still up slightly over the quarter. For instance, the NASDAQ Biotechnology Index (WKN 617026) gained 4% in the first quarter of 2014, while the German DAXsubsector Biotechnology Index (WKN 723801) was up 0.5% in the reporting period.

In the first quarter of 2014, 4SC reported the conclusion of an agreement in which its financing partner Yorkville had pledged to subscribe for convertible bonds in an amount of up to €15 million. The proceeds from this will contribute to the short- and medium-term financing of the

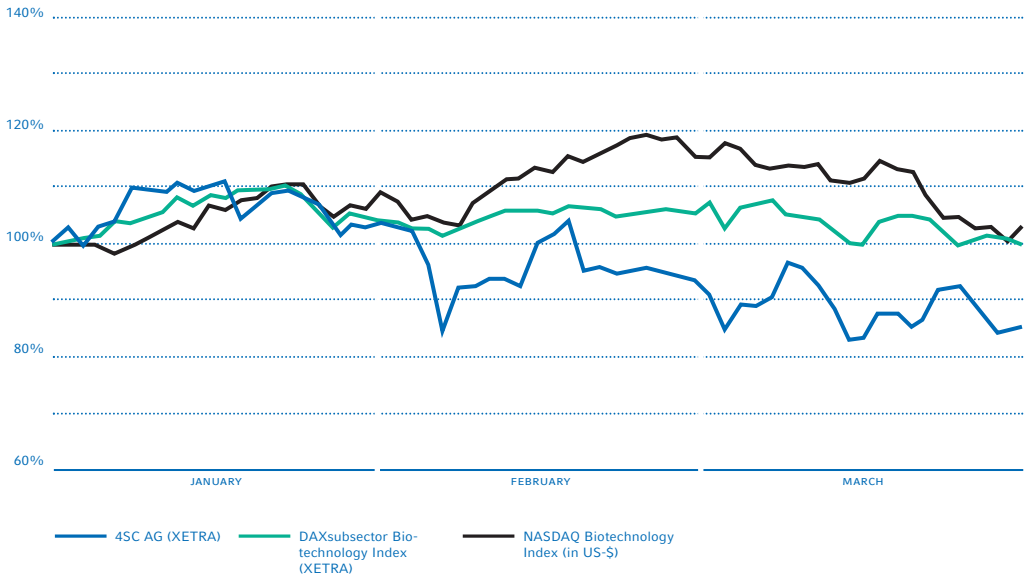
Company. 4SC shares reacted to this announcement in mid-February 2014 with an initial jump, but were unable to sustain this trend. After the first tranche was drawn at the beginning of March 2014 entailing a financing volume with a nominal amount of €500 thousand, the initial conversion into 4SC shares was performed by Yorkville, as a result of which the total number of shares at the end of the first quarter of 2014 rose by 36,840 to 50,408,654 (end of 2013: 50,371,814).

The trading volume of 4SC shares developed positively. The average daily trading volume across all stock exchanges, including Tradegate, increased from 37,115 shares during the whole of 2013 to 65,034 shares in the first quarter of 2014, an increase of 75%.

// KEY FIGURES OF THE 4SC SHARE

	Q1 2014	Q1 2013
Number of shares issued (average, in 000's)	50,384	50,372
Free float (%)	30.3	30.0
3-month high (XETRA) (€)	1.79	2.20
3-month low (XETRA) (€)	1.31	1.67
Price at beginning of the period (XETRA) (€)	1.60	2.09
Price at end of the period (XETRA) (€)	1.36	1.78
Market capitalisation at end of the period (€000's)	68,556	89,662
Average daily trading volume (all markets incl. Tradegate, shares)	65,034	55,178

// SHARE PRICE (in % indexed on 4SC AG, 01.01.2014 - 31.03.2014)



1.3 Business review for the reporting period

The 4SC Group continued its development in the first quarter of 2014. Both of the Group's operating segments achieved made progress in their research and development activities and there were important events at Group level too.

1.3.1 Development segment

The Development segment comprises the clinical and preclinical development work on 4SC's drug candidates as carried out within the Group's parent company 4SC AG. The candidate compounds at the end of the first quarter of 2014 were resminostat, 4SC-202, 4SC-205 and vidofludimus. The business unit continued to work on developing its drug candidates in the reporting period.

ONCOLOGY

Resminostat

The Company has a product with excellent therapeutic and financial potential: resminostat. Resminostat is 4SC's most highly advanced anti-cancer agent and is an epigenetic anti-cancer compound with an innovative mechanism of action. To date, its application has been researched – by 4SC in Europe and our Japanese development partner Yakult Honsha Co., Ltd. in Japan – for the treatment of liver cancer (HCC), colorectal cancer (CRC), Hodgkin's lymphoma (HL) and non-small-cell lung cancer (NSCLC). In line with the Company's re-focusing strategy adopted in 2013, 4SC is currently prioritising the development of resminostat in the liver cancer indication.

Preparations underway for clinical trial in liver cancer

In 2012, positive results were obtained from the clinical Phase IIa SHELTER trial with resminostat in combination with the cancer drug sorafenib in the second-line therapy of patients with advanced liver cancer (HCC). Following the extension of these results by promising initial biomarker data in 2013, 4SC's goal is now to continue progressing resminostat in combination with sorafenib as a first-line therapy for HCC along the path to market approval.

Following consultations with regulatory agencies, potential pharmaceutical partners and clinical key opinion leaders (KOLs), 4SC is now pursuing a blinded randomised controlled Phase II trial in advanced liver cancer (HCC) as the next stage in development. By testing resminostat in combination with sorafenib in the first-line therapy of patients with HCC, the trial aims to contrast this pairing with the current standard treatment – monotherapy with sorafenib – and demonstrate the superiority of the resminostat-sorafenib combination under controlled study conditions. The above study also aims to further qualify the potential predictive biomarker ZFP64 for possible subsequent investigation in a Phase III registration trial. An earlier option considered was a combined Phase IIb/III trial with an adaptive study design. In contrast to the latter, the study programme now being pursued facilitates a significant and clearly-defined addition to enterprise value – assuming positive Phase II results are obtained – while considerably reducing expenditure requirements.

The Company is currently working with a service provider (CRO) to design the study protocol; the next step will be to discuss this protocol with regulators. During the reporting period, the Company proceeded to discuss the funding of the planned study with potential partners and investors. 4SC's primary objective is to secure funding for this Phase II trial investigating the first-line treatment of HCC. The data generated by this study are to be used both to identify an international pharmaceutical partner and to conduct the subsequent Phase III registration trial in this indication.

In consideration of this subsequent Phase III study, 4SC has already started working with service partners (CMOs) on the optimisation of compound synthesis and tablet formulation for the study medication.

Development in Japan by our partner Yakult Honsha Co., Ltd.

Yakult Honsha Co., Ltd., 4SC's Japanese development partner, is resolutely committed to pursuing the development of resminostat in Japan. A Phase I trial verifying the safety and tolerability of the anti-cancer compound in Japanese patients with solid tumours, was successfully completed following the end of the reporting period, consequently triggering a milestone payment to 4SC. Also in the reporting quarter, Yakult Honsha Co., Ltd. proceeded with its two ongoing Phase I/II trials investigating resminostat in the indications of liver cancer (HCC) and non-small-cell lung cancer (NSCLC). These studies investigate the combination of resminostat with standard cancer drugs sorafenib (in HCC) and docetaxel

(in NSCLC) in comparison with the respective drugs in monotherapy in Asian patients.

4SC-202

4SC-202 is the Company's second epigenetic anti-cancer compound. As a selective inhibitor of demethylase LSD1 and the deacetylases HDAC 1, 2 and 3, 4SC-202 has properties quite unlike those of resminostat and thus possesses an individual therapeutic profile. 4SC-202 is being investigated in patients with advanced haematological tumours in the Phase I TOPAS trial. Following confirmation of the compound's good tolerability, numerous new doses and dosage schemes were tested in 2013, ultimately generating promising initial indications of clinical efficacy. Patient recruitment for the study was completed in the first quarter of 2014 and we are currently evaluating the data.

4SC-205

4SC-205, our third anti-cancer compound, continues to be investigated in a Phase I trial. An oral Eg5 kinesin inhibitor that blocks tumour cell division, this compound has entered the last study phase of the Phase I AEGIS trial, where it is currently being intensively trialled in patients with a specific disease condition (lung tumour/ metastases). The study is now in the process of recruiting/ treating the last group of patients.

AUTOIMMUNE DISEASES

Vidofludimus

Vidofludimus is the Company’s lead compound in the field of autoimmune diseases and has returned positive findings from an initial Phase IIa trial in inflammatory bowel disease. In line with the re-focusing strategy adopted in 2013 – and the prioritisation of resminostat development in particular – 4SC will not be investing any appreciable resources of its own in the further development of this compound. 4SC worked with an external project partner to maintain contact with potential investors and development partners during the reporting period. This outsourcing strategy will be used to finance and complete further development of this drug candidate, especially as regards 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.

Our existing research collaborations and partnerships continued to perform positively in the reporting quarter. Examples of these cooperative ventures include partnerships with BioNTech AG (Mainz), the pharmaceutical company LEO Pharma S/A (Denmark), UCB Pharma SA (Belgium) and AiCuris GmbH & Co. KG (Wuppertal). 4SC Discovery GmbH also maintains a strategic technology and sales partnership with CRELUX GmbH; this partnership was further strengthened in the reporting quarter.

In March, 4SC Discovery GmbH announced a collaboration with Heidelberg University Hospital, organised within the scope of a project run by the German Centre for Infection Research (DZIF). This two-year period of research will focus on the pre-clinical development of a new 4SC compound targeting resistant strains of malaria. The study is being financed by a government grant of €1.3 million. Since malaria is not one of the company’s core indication areas, 4SC plans to ideally out-license the active ingredient to an industry or development partner following the successful conclusion of the joint venture.

1.3.3 Significant events at Group level

4SC signed an agreement with YA Global Master SPV Ltd. (Yorkville) in February 2014 for ensuring the Company's funding in the short and medium term. Under this agreement, Yorkville pledged to subscribe for convertible notes in an amount of up to €15 million at an issue price corresponding to 95% of the nominal amount. According to this agreement, which runs until 31 December 2016, 4SC can issue convertible bonds in tranches of €500 thousand each at its discretion. The proceeds are intended to contribute to the financing of the operational preparations for the planned late-phase development of resminostat in the indication of liver cancer.

The convertible bonds carry no interest, have a term of up to nine months and may be converted into shares of 4SC by the bearer at any time. The conversion price equals the volume-weighted average trading price of 4SC shares during a five-day period prior to the time of conversion, less a 5% discount, but it cannot be lower than 80% of the closing price of 4SC shares during the five-day period prior

to the Management Board's resolution to issue the convertible bonds.

The first tranche in the form of convertible notes was issued at the beginning of March 2014. The conversion price equals the volume-weighted average trading price of 4SC shares during a five-day period prior to the conversion date, less a 5% discount, but it cannot be lower than €1.13.

Management Board member Dr Bernd Hentsch left the Company when his contract expired on 31 March 2014. In the future, Dr Daniel Vitt, who has been the 4SC Management Board member in charge of research and technology up to now, has also assumed responsibility for development, which had been Dr Hentsch's remit to date. Dr Hentsch will continue to be available to 4SC as a consultant after 31 March 2014. To support the strategic and operations management of clinical development programmes, 4SC hired Dr Samson Fung from February 2014, a medical doctor and experienced external pharmaceuticals manager who will provide the Company with additional expertise in the area of early- and late-stage clinical development. An oncologist, Dr Fung will support 4SC in particular on further development of resminostat.

1.3.4 Staff

As at 31 March 2014, the 4SC Group had a total of 64 employees (incl. the Management Board of 4SC AG and the executive management of 4SC Discovery GmbH) (31 December 2013: 73). The Development segment had 39 employees at the end of the quarter (31 December 2013: 47), while the Discovery & Collaborative Business segment had 25 (31 December 2013: 26).

On average, 65 employees worked for the 4SC Group in the first three months of 2014 (Q1 2013: 86). The Company had a total of 55 full-time employees (full-time equivalents, FTEs) at the end of the quarter, taking part-time employees and employees on parental leave into account. It had 56 FTEs as at 31 December 2013. As at the end of the quarter, 71% (31 December 2013: 72%) of the FTEs worked in research and development, and 29% (31 December 2013: 28%) in sales and administration.

2. RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

The 4SC Group, comprising 4SC AG and its wholly-owned subsidiary 4SC Discovery GmbH, reports consolidated figures for both the first three months of the 2014 financial year and the comparative period of the 2013 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 first quarter 2014, the Development segment comprised the development programmes for resminostat, 4SC-202, 4SC-205 and 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, as well as research collaborations related to drug discovery and optimisation.

2.1 Results of operations

Revenue

Consolidated revenue amounted to €1,440 thousand in the first quarter of 2014, nearly double the figure for the same period in 2013 (Q1 2013: €792 thousand). This positive development was mainly attributable to the cooperation agreements with BioNTech AG and LEO Pharma A/S, Denmark, that began in 2013.

Revenue in the Development segment remained almost constant at €223 thousand (Q1 2013: €227 thousand), while the Discovery & Collaborative Business segment's revenue more than doubled to €1,217 thousand (Q1 2013: €565 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 €3,563 thousand in the first quarter of 2014 and thus were on par with the prior-year figure of €3,532 thousand. The Development segment accounted for €2,723 thousand (Q1 2013: €2,823 thousand) of operating expenses, while the Discovery & Collaborative Business segment incurred €1,141 thousand (Q1 2013: €1,074 thousand) and the consolidation accounted for -€301 thousand (Q1 2013: -€365 thousand).

Research and development costs continued to account for the lion's share of expenses. These amounted to €2,032 thousand in the quarter under review, marginally higher than the prior-year figure (Q1 2013: €2,014 thousand). The main elements of this block of expenses were the activities in the ongoing clinical trials as well as the preparations for the start of the planned clinical liver cancer trial with resminostat, although the targeted cost-cutting measures were continued.

The increase in the cost of sales to €639 thousand in the reporting quarter (Q1 2013: €219 thousand) is attributable mainly to the research partnerships of 4SC Discovery GmbH, especially with BioNTech AG and Leo Pharma A/S, Denmark.

Distribution costs, which consist of the costs incurred by the Business Development as well as the PR & Marketing units, decreased by 31% to €120 thousand (Q1 2013: €174 thousand) during the same period due to lower consulting costs.

The reduction of administrative costs to €772 thousand (Q1 2013: €1,124 thousand) is connected with the focusing of personnel structures implemented in the previous year, the general cost-cutting measures and a reorganisation in the previous year involving the transfer of two members of the Management Board to Research and Development.

Operating profit/loss

The Company's loss from operating activities decreased by 22%, primarily on the back of higher revenue. The operating loss posted for the first three months of 2014 amounted to €2,123 thousand (Q1 2013: operating loss of €2,738 thousand). The Discovery & Collaborative Business segment posted its first operating profit of €110 thousand.

Net finance income/loss

Net finance income declined to €2 thousand (Q1 2013: €60 thousand). The share in the profit/loss of associates was €14 thousand in the first quarter of 2014, following €39 thousand in the prior-year quarter. Interest income was also down (Q1 2014: €3 thousand compared with €24 thousand in Q1 2013) due to lower interest rates in conjunction with a conservative investment strategy and a smaller volume of funds invested, whereas interest expense rose to €15 thousand (Q1 2013: €3 thousand).

Taxes

In the first quarter of 2014, 4SC did not report a tax income/expense figure (Q1 2013: €0 thousand).

Consolidated net loss

The net loss for the period improved by 21% year on year to €2,121 thousand (Q1 2013: loss off €2,678 thousand). Further information regarding segment results can be found in the consolidated notes.

Earnings per share

The decrease in the loss for the period along with a simultaneous slight increase in the average number of shares (resulting from the agreement entered into with Yorkville on the convertible notes announced in February 2014) reduced the loss per share from €0.05 in the first quarter of 2013 to €0.04 in the quarter under review.

2.2 Net assets

Non-current assets

Non-current assets amounted to €11,370 thousand as at 31 March 2014 after totalling €11,591 thousand as at 31 December 2013. The decline as against financial year-end 2013 is largely due to amortisation of intangible assets and depreciation of property, plant and equipment. Intangible assets remained the largest item of non-current assets in the statement of financial position, amounting to €10,445 thousand (31 December 2013: €10,651 thousand).

Current assets

The decline in current financial assets from €6,114 thousand as at 31 December 2013 to €4,304 thousand as at 31 March 2014 was largely due to the decrease in funds. This figure was down by €2,128 thousand to €2,771 thousand as at the reporting date (31 December 2013: €4,899 thousand). This was offset by an increase in trade receivables of €543 thousand to €889 thousand as at 31 March 2014 (31 December 2013: €346 thousand), attributable to the research collaborations in the Discovery & Collaborative Business segment.

Equity

The decline in equity from €11,282 thousand as at 31 December 2013 to €9,259 thousand as at 31 March 2014 was influenced primarily by the loss for the period of €2,121 thousand, Lifting net accumulated losses accordingly, from €119,260 thousand to €121,381 thousand. The partial conversion of the convertible notes gave rise to a slight increase in subscribed capital (by €36,840) and the capital reserves (by €13,160), though the expenses attributable to the financing are deducted from the capital reserves. The equity ratio declined by 4.6 percentage points, from 63.7% as at 31 December 2013 to 59.1% at 31 March 2014.

Non-current liabilities

Non-current liabilities fell by €267 thousand to €2,569 thousand as at 31 March 2014 (31 December 2013: €2,836 thousand). This figure consists largely of deferred income in connection with the partnership with Yakult Honsha Co., Ltd., Japan.

Current liabilities

Current liabilities increased by €259 thousand to €3,846 thousand (31 December 2013: € 3,587 thousand). While other liabilities edged up in the reporting period from €1,560 thousand as at 31 December 2013 to €1,585 thousand as at 31 March 2014 on account of the increase in accrued liabilities, deferred income decreased from €1,324 thousand to €1,158 thousand. At the reporting date, there were also liabilities of €335 thousand for convertible notes issued (31 December 2013: €0 thousand).

Total assets/Total equity and liabilities

Total assets/total equity and liabilities amounted to €15,674 thousand as at 31 March 2014, down just under 11% on the end-of-year figure of €17,705 thousand. This decrease is primarily attributable to the loss for the period.

2.3 Financial position

Cash flows from operating activities

The cash outflow from operating activities in the first quarter of 2014 was €2,525 thousand, compared with a cash inflow of €180 thousand in the same period in 2013. For one, the change results from adjustments for non-cash items of the straight-line depreciation and amortisation in the statement of comprehensive income as well as the increase in other assets. For another, it is attributable to changes in items from the statement of financial position that have a negative effect on cash flows, such as the increase in trade receivables and the decrease in deferred income for the upfront payments by Yakult Honsha Co., Ltd., Japan, and LEO Pharma A/S, Denmark.

Cash flows from investing activities

Cash inflows from investing activities in the first quarter of 2014 amounted to €964 thousand compared with cash outflows of €8 thousand in the comparative period. In the reporting period and in the previous year, only small investments were made in fixed assets (Q1 2014: €36 thousand; Q1 2013: €6 thousand). In the prior-year period, the purchase and sale of financial investments resulted in net cash outflows of €2 thousand, whereas sales in the first quarter of 2014 generated a net cash inflow of €1,000 thousand.

Cash flows from financing activities

The cash flows of €433 from financing activities in the reporting period are due to the issuance of convertible bonds to Yorkville. Since no capital measures were executed in the prior-year period, no cash flows from financing activities were generated.

Funds

Cash and cash equivalents amounted to €2,771 thousand at the end of the reporting period. No funds were invested in short-term fixed-interest securities. As at 31 March 2014, the Company had cash and available-for-sale securities also totalling €2,771 thousand, compared with €4,899 thousand at the end of 2013. This resulted in an average monthly outflow of cash from operations amounting to €709 thousand in the first quarter of 2014.

3. REPORT ON RISKS AND OPPORTUNITIES

Please see pages 67 to 80 of the annual report as at 31 December 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 2014.

In addition, the Company points out that if 4SC's share price continues to fall a conceivable capital increase might be ruled out in the event that the share price drops to €1.00 or below, because €1.00 is the lower legal limit for par value in the issue of new shares. A share price that is only slightly above €1.00 could also make it much more difficult to implement a capital increase because it might prove impossible to offer the subscribing shareholders the customary discount on the current price. In this case, shares would first have to be combined prior to a corresponding capital increase so that the share price is high enough. 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 AG.

4. REPORT ON POST-BALANCE SHEET DATE EVENTS

In April 2014, 4SC AG announced that its subsidiary 4SC Discovery GmbH would receive a €450 thousand grant from the EU for research into new epigenetic compounds targeting cardiovascular diseases such as stroke. In this three-year research project, 4SC Discovery will be collaborating closely with the Medical Clinic of the University of Munich and other project partners. Using this grant 4SC can also apply its epigenetic expertise in research, which up to now the Company had focused primarily on cancer medicine, in the field of cardiovascular diseases for the first time. 4SC Discovery GmbH will retain the rights to the identified substances.

In April 2014, 4SC AG published a voting rights notification in accordance with section 26 (1) sentence 2 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) that the shares VCG Venture Capital Gesellschaft mbH & Co. Fonds III KG i.L., Munich, held in 4SC AG had fallen below the threshold of 5% of the voting rights, at 4.93% on 7 April 2014. The Management Board of 4SC AG believes that the fund, which is in liquidation, will have to give up all of its shares in the Company in the foreseeable future.

In early May 2014, 4SC reported that its Japanese development and marketing partner for resminostat, Yakult Honsha Co., Ltd., had successfully completed a Phase I trial on patients with solid tumours and 4SC had received a contractually agreed milestone payment for this. This trial confirms the good safety and tolerability of resminostat in Japanese cancer patients, thus creating an important requirement for the late-stage clinical development of resminostat in Japan.

5. REPORT ON EXPECTED DEVELOPMENTS

The following paragraphs contain forecasts and expectations regarding future developments. Actual results might differ substantially from these estimates of likely developments if uncertainties were to arise or if the assumptions underlying the forward-looking statements turn out to be incorrect.

Forecast for the sector

Following the strong rally seen in recent months, in which market indexes proceeded to break one record after another, international biotech stocks experienced a setback in March 2014, a development seen as healthy by the majority of analysts.

At the beginning of the second quarter of 2014, market observers remain optimistic about the trend for biotechnology stocks on the markets, due to these stocks' intrinsic strength. Undervalued international stocks from non-US companies are now prime candidates for attracting stronger interest from US investors in particular – and this is a development that could potentially benefit 4SC.

In early April, research from industry information service BioCentury revealed that at least 36 decisions on market approval will be pending in the second quarter of 2014. Pivotal milestones or Phase III trial results are additionally expected for a total of 67 drug candidates. On the capital market side, 24 biotech firms had already announced IPOs at the end of the first quarter of 2014, 16 of which will take place on the NASDAQ technology exchange in the USA. For 2014 as a whole, capital market participants expect the number to fall between the total for 2012 (25 IPOs) and 2013 (59 IPOs).

Forecasts from the German biotech sector also maintain a generally optimistic character. According to a survey

published by industry association BIO Deutschland at the beginning of 2014, the responding companies view both their current and future business situations more positively than they did before the new year. This positive mood has undoubtedly been buoyed by the fact that German biotech companies were able to raise capital totalling €360 million in 2013. This represents a 20% increase year-on-year and is a trend that has not only persisted but strengthened considerably during the first few months of 2014.

Forecast for the Company

The 4SC Group will continue to pursue its re-focused research and development strategy. Activities will be concentrated on the continued development of those projects that offer the Company the greatest potential for growing value.

The main point of focus here is on the development of the anti-cancer compound resminostat towards market approval as a first-line treatment for advanced liver cancer in combination therapy with the cancer drug sorafenib. As a next step, 4SC is now pursuing the completion of a Phase II trial in this indication. Successful completion of this study will be followed by a corresponding Phase III registration trial.

4SC is currently working with a service partner (CRO) on the preparation of the study protocol for this Phase II trial. The next step will then be to discuss the study plan with regulatory agencies , especially the FDA and the EMA, to incorporate any amendments to the study protocol as desired by regulators and to then submit the application for performing the clinical trial, based on an US IND, among others.

In this planned blinded randomised Phase II trial, resminostat is to be tested in combination with sorafenib in the first-line therapy of patients with advanced liver cancer (HCC). The aim of the study is to contrast this pairing with the current standard treatment – monotherapy with sorafenib – and demonstrate the superiority of the resminostat-sorafenib combination under randomised controlled trial conditions. The above study also aims to further research the potential predictive biomarker ZFP64 and qualify it for subsequent investigation in a Phase III registration trial.

Alongside these operational preparations, 4SC is engaged in discussions with potential regional and global partners as well as investors with a view to securing funding for the Phase II trial. Assuming adequate funding is secured, the Company currently expects that it will be in a position to submit the study programme application before the end of the year and that the first patients will be included in the study in early 2015.

Two other anti-cancer compounds, 4SC-202 and 4SC-205, are currently in Phase I clinical trials.

Patient recruitment for the Phase I TOPAS trial with the epigenetic compound 4SC-202 in patients with advanced haematological tumours was completed in the reporting quarter. 4SC is currently evaluating the data and plans to publish initial study findings in the second quarter of 2014.

The ongoing Phase I AEGIS trial of the 4SC-205 compound in patients with solid tumours is also now entering the final stage. Assuming the successful completion of recruitment and treatment for the last group of study patients, 4SC currently expects to be in a position to publish initial trial results during the third quarter of 2014.

As regards vidofludimus, 4SC's lead compound for autoimmune diseases, the Company is working closely with an external project partner to acquire potential investors and partners. Their support will be used to externally implement and finance the further development of this drug candidate, particularly as regards a Phase IIb trial in the indication of Crohn's disease.

Overall, 4SC is seeking to secure further licensing deals with companies from the pharmaceutical and biotech sectors, to both establish and advance the further clinical development of its products. The aim is to achieve a short-term flow of funds while optimally exploiting the development programmes' value creation potential over the long term.

The Group's subsidiary 4SC Discovery GmbH wants to further expand existing partnerships and enter into new research collaborations with companies in the pharmaceutical and biotech sectors. 4SC Discovery GmbH is also planning to enter into further early-stage partnering deals in relation to its own research programmes: This strategy generates short-term earnings from advance payments while targeting potential performance-related milestone payments and royalty payments with the aim of securing long-term potential value for 4SC.

Financial forecast

The 4SC Group had funds of €2,771 thousand at the end of the quarter (31 March 2014). Based on current revenue and expense planning and the convertible note agreement signed in the first quarter with YA Global Master SPV Ltd. (Yorkville), 4SC expects these funds to suffice to finance the Company's activities up until the end of the first quarter of 2015, not including the launch of additional clinical trials. This estimate is based on the assumption that the average monthly operating cash burn rate in 2014 will be approximately €400 thousand and that the Company's research and development programmes and existing partnerships will continue to run according to plan.

Currently, the Company is working intensively on a number of options to secure 4SC's financing in general and specifically to ensure the further development of resminostat in the liver cancer indication beyond the current scope of financing.

According to the current planning, research and development costs for 2014 are much lower than in the previous year, additional clinical trials not included. The consolidated net loss for 2014 should improve further year-on-year given the cost reductions in human resources resulting from the restructuring completed in 2013 and the expected contributions by 4SC Discovery GmbH's positive activities to earnings. However, 4SC expects its loss situation to continue in the short to medium term. Provided there is funding, development costs can be anticipated to rise again sharply from the start of the planned study programme with resminostat in the indication of liver cancer due to the associated expenses, which would in turn cause the cash burn rate and operating loss to increase again.

The Management Board of 4SC forecasts at least a break-even in cash flow from operating activities for 4SC Discovery GmbH for financial year 2014 thanks to the subsidiary's good operating performance to date, which has continued into the current financial year so far.

After re-focusing its corporate strategy in 2013, 4SC believes that it is positioned well for 2014 and beyond thanks to its attractive clinical development programmes – especially the compound resminostat in the liver cancer indication – and the flow of positive clinical news, among others, from the resminostat development in Japan by 4SC's partner Yakult Honsha Co., Ltd., 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.

The short- to medium-term challenge remains safeguarding sufficient financing for 4SC AG to ensure the continued existence of the Company overall and, beyond this, the rapid and systematic advancement of resminostat.

Planegg-Martinsried, 6 May 2014

Enno Spillner
Chairman 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 31 March 2014 (unaudited)

// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in €000's

	Q1 2014	Q1 2013
Revenue	1,440	792
Cost of sales	-639	-219
Gross profit	**801**	**573**
Distribution costs	-120	-174
Research and development costs	-2,032	-2,014
Administrative costs	-772	-1,124
Other income	0	1
Operating profit/loss	**-2,123**	**-2,738**
Net finance income/loss		
Share in the profit of equity-accounted investees	14	39
Finance income	3	24
Finance costs	-15	- 3
Net finance income/loss	**2**	**60**
Earnings before taxes	**-2,121**	**-2,678**
Income tax	0	0
Net profit/loss for the period = Consolidated comprehensive income/loss	**-2,121**	**-2,678**
Earnings per share (basic and diluted; €)	-0.04	-0.05

// CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

in €000's

	31.03.2014	31.12.2013
Non-current assets		
Intangible assets	10,445	10,651
Property, plant and equipment	573	602
Investments accounted for using the equity method	195	181
Other assets	157	157
Total non-current assets	**11,370**	**11,591**
Current assets		
Inventories	22	23
Trade accounts receivable	889	346
Receivables from investees	0	0
Other financial assets	0	1,000
Cash and cash equivalents	2,771	3,899
Current income tax assets	16	73
Other assets	606	773
Total current assets	**4,304**	**6,114**
Total equity and liabilities	**15,674**	**17,705**

// CONSOLIDATED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

in €000's

	31.03.2014	31.12.2013
Equity		
Subscribed capital	50,409	50,372
Share premium	78,416	78,355
Reserves	1,815	1,815
Accumulated deficit	-121,381	-119,260
Total equity	**9,259**	**11,282**
Non-current liabilities		
Other liabilities	111	154
Deferred income	2,458	2,682
Total non-current liabilities	**2,569**	**2,836**
Current liabilities		
Trade accounts payable	768	675
Accounts payable to associates	0	28
Convertible bonds issued	335	0
Other liabilities	1,585	1,561
Deferred income	1,158	1,323
Total current liabilities	**3,846**	**3,587**
Total equity and liabilities	**15,674**	**17,705**

// CONSOLIDATED STATEMENT OF CASH FLOWS

in €000's

	Q1 2014	Q1 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings before taxes	-2,121	-2,678
Adjustment for statement of comprehensive income items		
Depreciation and amortisation	271	295
Net finance income/loss	-1	-60
Stock options	0	14
Other non-cash items	-14	8
Changes in statement of financial position items		
Inventories	1	0
Trade accounts receivable	-543	2,553
Current income tax assets	57	68
Other assets	167	-207
Trade accounts payable	93	12
Accounts payable to associates	-28	-10
Deferred income	-390	707
Other liabilities	-18	-530
Interest received	3	10
Interest paid	-2	-2
CASH FLOWS FROM OPERATING ACTIVITIES	**-2,525**	**180**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	0	0
Purchase of property, plant and equipment	-36	-6
Purchase of financial investments	0	-1,000
Sale of financial investments	1,000	998
CASH FLOWS FROM INVESTING ACTIVITIES	**964**	**-8**
Cash flows from financing activities	**0**	**0**
Payments to subscribed capital	37	0
Payments to share premium	61	0
Payments from the issuance of convertible bonds	475	0
Payments for the issuance of convertible bonds	-140	0
Cash flows from financing activities	**433**	**0**
Net change in cash and cash equivalents Cash and cash equivalents	**-1,128**	**172**
+ Cash and cash equivalents at the beginning of the period	3,899	6,076
= Cash and cash equivalents at the end of the period	**2,771**	**6,248**

// 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 01.01.2013	**50,372**	**78,414**	**1,695**	**67**	**-108,735**	**21,813**
Options issued (ESOP 2009/2009)			13			13
Options issued (ESOP 2009/2010)			0			0
Options issued (ESOP 2009/2011)			1			1
Comprehensive income/loss 01.01.-31.03.2013					-2,678	-2,678
Profit/loss for the period 01.01.-31.03.2013					*-2,678*	*-2,678*
Balance on 31.03.2013	**50,372**	**78,414**	**1,709**	**67**	**-111,413**	**19,149**
Balance on 01.01.2014	**50,372**	**78,355**	**1,748**	**67**	**-119,260**	**11,282**
Options issued (ESOP 2009/2009)			0			0
Options issued (ESOP 2009/2010)			0			0
Options issued (ESOP 2009/2011)			0			0
Capital increase from the conversion	37	61				98
of convertible bonds						
Comprehensive income/loss 01.01.-31.03.2014					-2,121	-2,121
Profit/loss for the period 01.01.-31.03.2014					*-2,121*	*-2,121*
Balance on 31.03.2014	**50,409**	**78,416**	**1,748**	**67**	**-121,381**	**9,259**

SELECTED CONSOLIDATED NOTES OF 4SC

to the consolidated interim report as at 31 March 2014 (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 31 March 2014 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
Panoptes Pharma Ges.m.b.H., Vienna, Austria	Associate	IAS 28
quattro research GmbH, Planegg-Martinsried	Associate	IAS 28
Quiescence Technologies LLC., Melbourne, Florida, USA	Equity investment	IAS 39

1.3 Release of the financial statements

The Management Board approved the consolidated interim report for release on 6 May 2014. 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 13 May 2013) was held via teleconference on 24 April 2014.

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 2013.

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 the end of the first quarter of 2014, it comprised the development programmes for resminostat, 4SC-202 and 4SC-205 as well as vidofludimus.

Discovery & Collaborative Business

The Discovery & Collaborative Business segment comprised the activities collectively handled by 4SC Discovery GmbH as at the end of the quarter, 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	
	Q1 2014	Q1 2013	Q1 2014	Q1 2013	Q1 2014	Q1 2013	Q1 2014	Q1 2013	Q1 2014	Q1 2013
Statement of comprehensive income										
Revenue (total)	**223**	**227**	**1,217**	**565**	**0**	**0**	**0**	**0**	**1,440**	**792**
External revenue	223	227	1,217	565	0	0	0	0	1,440	792
Intersegment revenue	0	0	0	0	0	0	0	0	0	0
Other income	**267**	**336**	**34**	**31**	**0**	**0**	**-301**	**-365**	**0**	**2**
Operating expenses	**-2,723**	**-2,823**	**-1,141**	**-1,074**	**0**	**0**	**301**	**365**	**-3,563**	**-3,532**
of which research and development costs	-1,848	-1,586	-383	-672	0	0	199	244	-2,032	-2,014
of which cost of sales, distribution costs and administrative costs	-875	-1,237	-758	-402	0	0	102	121	-1,531	-1,517
Segment result	**-2,233**	**-2,260**	**110**	**-478**	**0**	**0**	**0**	**0**	**-2,123**	**-2,738**
Net finance income/loss	**0**	**-1**	**0**	**-1**	**2**	**62**	**0**	**0**	**2**	**60**
Earnings before taxes	**-2,233**	**-2,261**	**110**	**-479**	**2**	**62**	**0**	**0**	**-2,121**	**-2,678**
Income tax expense	0	0	0	0	0	0	0	0	0	0
Net profit/loss for the year	**-2,233**	**-2,261**	**110**	**-479**	**2**	**62**	**0**	**0**	**-2,121**	**-2,678**
Item of the statement of financial position & fixed assets										
Non-current assets	10,568	12,189	450	532	352	350	0	0	11,370	13,071
Current assets	200	292	1,119	747	2,985	12,472	0	0	4,304	13,511
Total segment assets	**10,768**	**12,481**	**1,569**	**1,279**	**3,337**	**12,822**	**0**	**0**	**15,674**	**26,582**
Equity	0	0	0	0	9,259	19,149	0	0	9,259	19,149
Non-current liabilities	2,556	3,697	13	271	0	0	0	0	2,569	3,768
Current liabilities	2,518	2,500	993	1,165	335	0	0	0	3,846	3,665
Total segment liabilities	**5,074**	**5,997**	**1,006**	**1,436**	**9,594**	**19,149**	**0**	**0**	**15,674**	**26,582**
Investments	5	6	31	0	0	0	0	0	36	6
Depreciation and amortisation	222	252	49	43	0	0	0	0	271	295

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

in €000's

	Q1 2014	Q1 2013
Germany	667	290
Europe	550	275
Asia	223	227
Revenue	**1,440**	**792**

3. EARNINGS PER SHARE

The basic earnings per share are calculated in accordance with IAS 33.9 ff. by dividing the net 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	Q1 2014	Q1 2013
Based on profit/loss for the period (in €000's)	-2,121	-2,678
Based on average number of shares (in thsd.)	50,384	50,372
Earnings per share (basic and diluted, in €)	**-0.04**	**-0.05**

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

4SC has cash and cash equivalents. As at 31 March 2014, the company held no other financial assets. Taken together, these items comprise the cash balance/funds:

in € 000's	31.03.2014	31.12.2013	31.03.2013
Cash and cash equivalents at the end of the period	2,771	3,899	6,248
Other financial assets	0	1,000	5,995
Cash balance/funds	**2,771**	**4,899**	**12,243**

5. SHAREHOLDINGS AND DIRECTORS' DEALINGS

In the first quarter of 2014 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 31 March 2014 reporting date.

Number of shares

	Shares 01.01.2014	Purchase	Sale	Shares 31.03.2014
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	5,000	0	0	5,000
Shares held by the Supervisory Board	**28,593**	**0**	**0**	**28,593**

Number of stock options

	Options 01.01.2014	Additions	Expired	Exercised	Options = maximum number of shares 31.03.2014	Maximum number of shares
Management Board						
Dr Daniel Vitt	142,600	0	0	0	142,600	142,600
Dr Bernd Hentsch	152,720	0	0	0	152,720	152,720
Enno Spillner	223,200	0	0	0	223,200	223,200
Options held by the Management Board	**518,520**	**0**	**0**	**0**	**518,520**	**518,520**

6. RELATED PARTY TRANSACTIONS

In the reporting period there were no changes regarding transactions with related parties compared to the transactions reported in the consolidated financial statements as at 31 December 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, significant effects on the Group’s financial performance, cash flows and financial position are explained.

FINANCIAL CALENDAR

// FINANCIAL CALENDAR 2014

Annual General Shareholders' Meeting, Munich, Germany	9 Mai 2014
Consolidated Half-Year Financial Report (Q2/2014)	7 August 2014
9-Month Consolidated Financial Report (Q3/2014)	6 November 2014
Analyst Conference - German Equity Forum Frankfurt, Germany	24-26 November 2014

PUBLISHING INFORMATION

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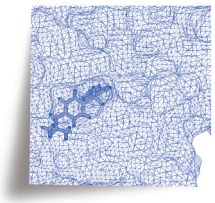

The cover picture shows the cancer compound resminostat binding to the HDAC target molecule. In 2013, 4SC resolved to focus on its main value drivers. Activities will concentrate on the development of resminostat in the liver cancer indication.

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