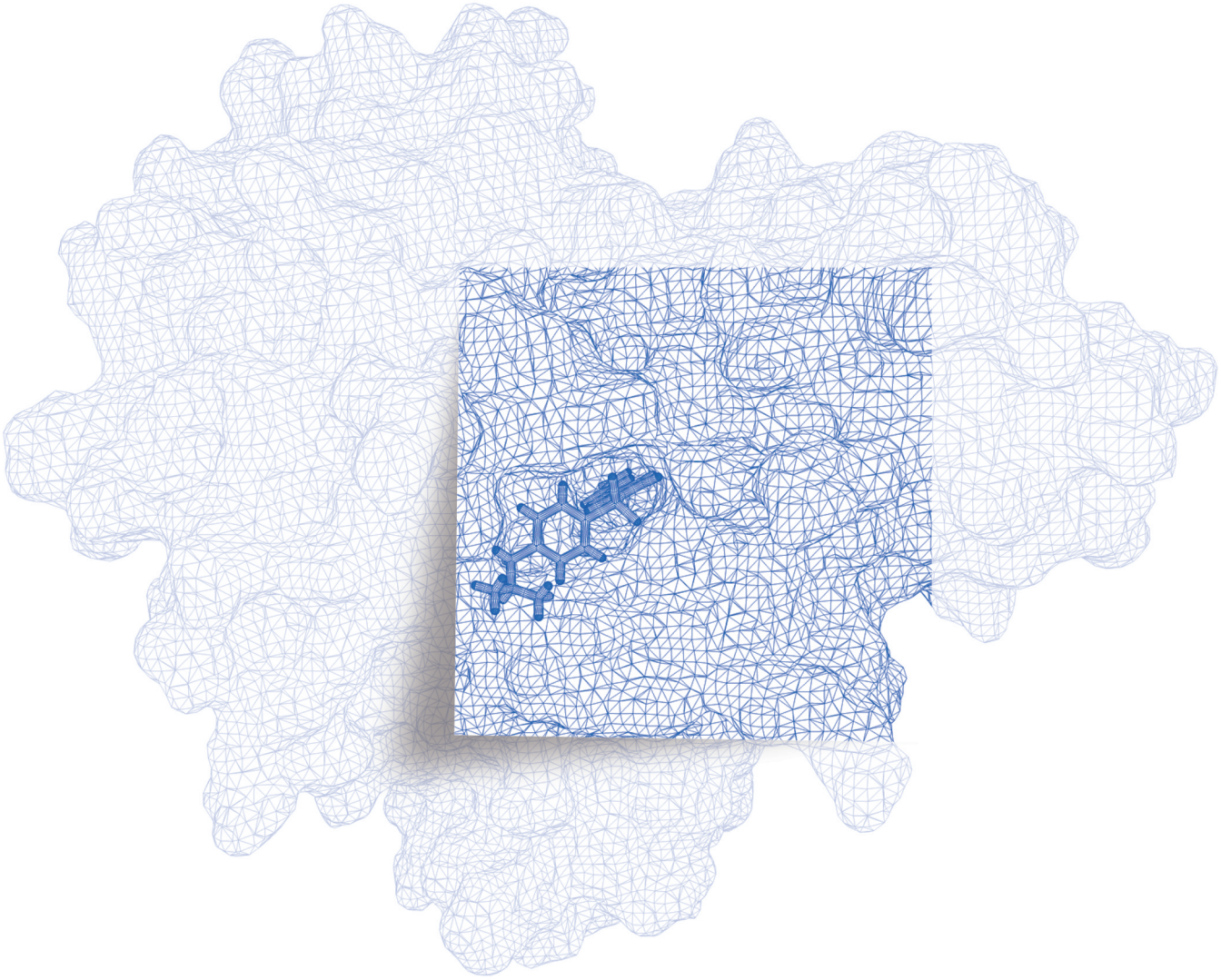
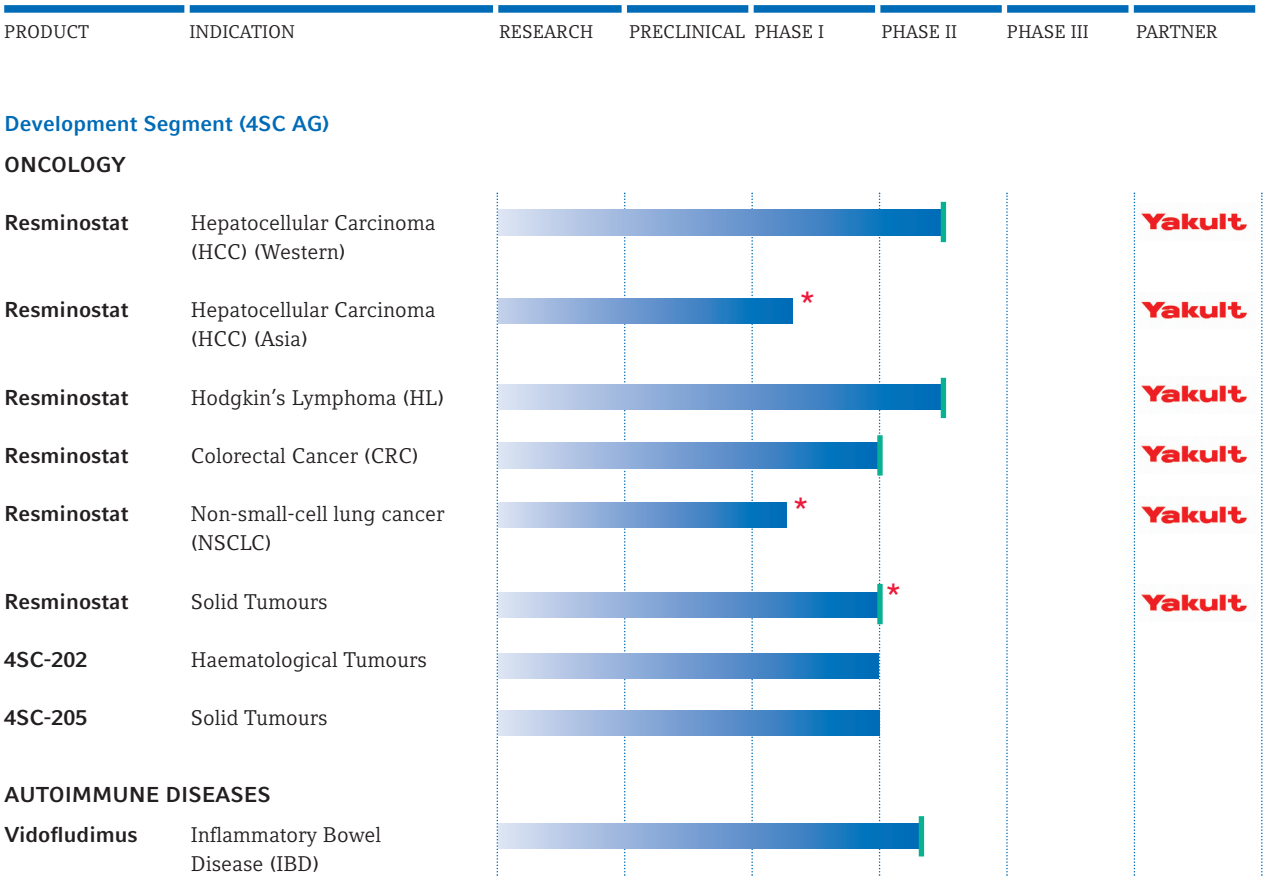
CONSOLIDATED HALF-YEAR FINANCIAL REPORT

30 June 2014 (IFRS)



4SC PRODUCT PIPELINE (as at 31 July 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. 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 31 July 2014

4SC GROUP – KEY FIGURES AT A GLANCE

in € 000's unless stated otherwise

	Q2 2014	Q2 2013	Change in %	6M 2014 resp. 30.06.2014	6M 2013 resp. 30.06.2013	Change in %
Results of operations, financial position and net assets						
Revenue	2,535	1,166	117	3,975	1,958	103
Operating profit/loss	-1,747	-3,427	49	-3,870	-6,165	37
Net profit/loss for the period	-1,853	-3,397	45	-3,974	-6,075	35
Earnings per share (basic and diluted) (in €)	-0.04	-0.07	43	-0.08	-0.12	33
Equity (end of period)				7,558	15,767	-52
Equity ratio (end of period) in %				46.5	69.6	-23.1%P
Total assets (end of period)				16,268	22,644	-28
Monthly cash inflow (+)/outflow (-) from operations (average)(1)				-647	-475	36
Capital measures (net)				0	0	-
Cash and cash equivalents (end of period)				3,423	9,212	-63

	Q2 2014	Q2 2013	Change in %	6M 2014 resp. 30.06.2014	6M 2013 resp. 30.06.2013	Change in %
Staff						
Total number of employees (incl. Management Board) (end of period)				65	83	-22
Number of full-time employees (incl. Management Board) (end of period)				55	70	-21

(1) Calculation: (Change in cash funds at end of period compared with the end of the prior period + proceeds from equity-based financing measures) / 6

KEY EVENTS IN THE SECOND QUARTER OF 2014

> April:

4SC Discovery: Funding of €450 thousand for three-year joint research project in epigenetics with the University of Munich Medical Clinic

4SC's research subsidiary receives a €450 thousand grant from the EU for research into new epigenetic compounds targeting cardiovascular diseases. Within the scope of a three-year joint venture, 4SC Discovery will be working with the University of Munich Medical Clinic and other partners.

> May:

Resminostat: Good safety and tolerability demonstrated in Japanese patients

4SC's Japanese partner Yakult Honsha successfully concludes a clinical Phase I trial in patients with solid tumours and makes a contractually agreed milestone payment to 4SC. The trial demonstrated that the compound was safe and well-tolerated by Japanese cancer patients.

> June:

4SC-202: Positive Phase I results for haematological tumours

At the ASCO Annual Meeting in Chicago, 4SC presents positive top-line data from a Phase I trial in patients with advanced haematological tumours. The data showed 4SC-202 was safe, well-tolerated and exhibited promising indications of efficacy.

4SC AG: Shareholder loan expected to secure company financing up to the end of 2015

4SC AG signs an agreement for a loan of up to €10 million with its major shareholder Santo Holding. The funds will be used to finance operational preparations for the planned clinical Phase II development of resminostat in liver cancer, and also to cover the Company's ongoing administrative costs.

4SC AG: Reallocation of shares to institutional investors successfully completed

A block of shares held by former shareholder VCG Venture Capital Gesellschaft mbH & Co. Fonds III KG i.L., now in liquidation and therefore forced to cease its involvement in 4SC AG, was reallocated in full to a number of institutional investors. As a result, the free float of 4SC shares rose from 30.3% (31 March 2014) to about 35.0% (30 June 2014).

4SC AG: Company benefits from experienced oncology expert and pharmaceutical manager

Dr Erich Enghofer joins 4SC as its new Executive Vice President Oncology and Haematology. The experienced pharmaceutical manager and oncology expert will primarily advance the positioning and strategic marketing of resminostat along its future clinical development path in the indication of liver cancer.

LETTER FROM THE MANAGEMENT BOARD

Dear Shareholders, dear Friends and Partners of 4SC,

4SC has considerably improved both its operational and financial situation in the second quarter of 2014. Our long-standing anchor shareholder Santo Holding (Deutschland) GmbH has agreed to loan the Company up to €10 million, and we have already drawn down an initial tranche amounting to €2 million in the second quarter. These additional funds will give us the latitude to advance our most important value driver, the compound resminostat, further along its development path. The tranche will directly fund preparations for the planned clinical Phase II trial investigating resminostat in the liver cancer indication. This has also enabled us to significantly extend company financing, in all likelihood to the end of 2015. We will invest this time in working on a long-term solution for financing the further development of resminostat, and thus take another step towards our major objective of securing the first approved 4SC-developed drug.

We have successfully proceeded with operational preparations for the planned clinical Phase II trial of resminostat in the liver cancer indication. Working with a contract research organisation (CRO), we have completed work on drafting a study protocol, which we will now proceed to discuss and fine-tune both internally and with external experts. Our ZFP64 biomarker is also destined to play a major role here. We have also been encouraged by the activities of our partner Yakult Honsha. The Japanese pharmaceutical company is systematically pursuing development of resminostat for its domestic market. Published in May, the positive results of the Phase I trial with patients having solid tumours not only provide us with important data for our own study preparations, but also make a contribution to 4SC's financing in the shape of a contractually agreed milestone payment. The ongoing Phase I/II trials in the indications of liver cancer (HCC) and non-small-cell lung cancer (NSCLC) in Japan will also supply us with additional sets of valuable data concerning resminostat's efficacy.

Resminostat is not the only drug candidate that delighted us in the second quarter. Our second epigenetic anti-cancer compound 4SC-202 delivered some impressive initial top-line results from its clinical Phase I TOPAS trial, generating major interest at the ASCO Annual Meeting in Chicago held in early June. In the treatment of heavily pretreated patients with haematological tumours, the compound exhibited some promising indications of efficacy while also proving to be safe and well-tolerated. 4SC-202 possesses an innovative – and in our view unique – mechanism of action: it selectively inhibits both the

epigenetic modulator LSD1 and the proteins HDAC 1, 2, and 3. This mechanism permits the regulation of the key tumour signalling pathways WNT and Hedgehog, and combats the properties of cancer stem cells that play a major role in the metastasis and recurrence of cancers. The study is yet to formally conclude, since one patient – whose tumours have now disappeared entirely as a result of the treatment – continues to be treated within the scope of the study. We have already started to evaluate scenarios for a possible Phase II development, which we intend to both discuss further and implement together with potential partners.

The news is also positive from our research subsidiary 4SC Discovery GmbH. In the reporting quarter, 4SC Discovery began work on the discovery and optimisation of new epigenetic compounds targeting cardiovascular disease. A three-year research collaboration with the University of Munich Medical Clinic and other partners stands to receive EU funding of €450 thousand. Good progress in also being made in 4SC Discovery's existing partnerships. Our subsidiary works continuously on initiatives designed to create further partnerships, so as to generate both financial contributions and long-term potential to increase value, and thus strengthen the Group's overall business model.

In late June, we were able to reallocate a major block of 4SC shares held by VCG Venture Capital Gesellschaft mbH & Co. Fonds III KG i.L. – a former shareholder who is now in liquidation – to a number of institutional investors. In our analysis, the share overhang had been impacting the share price for several weeks. We now hope that our share performance will return to being positively influenced by the business successes just recently achieved.

We have also further strengthened the Company's personnel resources. In June, the experienced pharmaceuticals manager and oncology expert Dr Erich Enghofer joined our team. As the former head of the Haematology & Oncology unit at Bayer Deutschland, Dr Enghofer's work in recent years was instrumental in ensuring the licensing and market success of the small-molecule compound sorafenib in the indication of liver cancer. As our new Executive Vice President Oncology and Haematology, he will address this key market segment for 4SC by working on the positioning and strategic marketing of resminostat, with the aim of advancing it along its development path towards market approval.

We have consolidated our financial position and achieved further progress in our research and development programmes in the second quarter. As previously, the next important milestone is to secure financing for the planned clinical Phase II trial of resminostat in liver cancer, followed by the commencement of this study. By working together with our employees, partners and shareholders, we will be fielding a strong team to achieve this goal. As things stand, I am firmly convinced that we will also be successful in achieving this goal. I wish to express my heartfelt thanks for your loyalty and commitment to date, and I look forward to the continued success of our collaboration.

Yours sincerely,

Planegg-Martinsried, August 2014

Enno Spillner
Chairman of the Management Board

1. BUSINESS PERFORMANCE

1.1 Economic Environment

Macroeconomic development

In its most recent outlook issued in July 2014, the International Monetary Fund (IMF) marked down its global growth projection by 0.3 percentage points to 3.4%. According to the IMF, this change is due mainly to a weaker than originally expected first quarter of 2014, primarily in the United States. In the medium term, the IMF expects economic prospects to improve again, however at different growth rates in the various economies. The IMF now expects the emerging markets and developing economies to grow by 4.6% (previously: 4.8%) in 2014. Economic growth for 2014 in the United States is now projected at 1.7% (previously: 2.8%) due to the harsh winter and lower exports. As regards the euro zone, the IMF economists stick to their growth forecast of 1.1% for the current year, with Germany remaining the main growth driver (current forecast: 1.9% after previously 1.7%).

Developments in the biotech and pharmaceuticals sector

After the valuations of biotechnology companies that had previously reached record levels in a prolonged and increasingly dynamic rally were revised downwards substantially in March 2014, the capital markets in the United States recovered in the second quarter of the year. Stock market quotations rose slightly, due among other things to the 7.7% increase in the NASDAQ Biotechnology Index between April and June, a clear indication that the industry's fundamentals remain intact.

Financing over the capital markets also witnessed a positive trend, reaching a high level once more following a brief pause. Industry analysts BioCentury determined that 59 biotech companies went public in the second quarter of 2014, generating total issue proceeds of $3.9 billion. Follow-on financing arrangements over the stock exchange in 95 transactions raised a further $7.2 billion, which represents an average of $75.8 million per round of financing.

In financing over the German capital market the encouraging trend of recent months continued, though financing conditions remain at a significantly lower level than in the United States. The Aachen-based company Paion, for instance, completed a capital increase of €46 million at the beginning of July. German biotech company Medigene also implemented a capital increase in July through the issue of new shares and convertible bonds, generating gross proceeds of €15.9 million from the issue. Heidelberg-based Affimed is taking a different route, announcing that it had applied for a stock exchange listing in the United States. This IPO is expected to raise $75 million for the company.

There was a series of relevant announcements regarding the publication of clinical data and regulatory news in the segments in which 4SC operates that confirm the upward trend in the development of epigenetic anti-cancer compounds. Novartis announced in June 2014 that it had filed an application to have its HDAC inhibitor panobinostat approved in the United States in the haematological indication of multiple myeloma. The basis for this application was successful data from a Phase III trial which tested panobinostat in combination with the conventional cancer drugs bortezomib and dexamethasone. Also in June 2014, US company MEI Pharma published initial positive findings from a Phase II trial which tested the HDAC inhibitor pracinostat in the haematological tumour indication of acute myeloid leukaemia (AML) in combination with a conventional cancer drug. Another encouraging event for the market of epigenetic cancer drug development was the regulatory approval of the HDAC inhibitor belinostat by the FDA at the beginning of July in the haematological tumour indication of peripheral T-cell lymphoma. This drug had originally been developed by the Danish company TopoTarget and was licensed to the US-based Spectrum Pharmaceuticals. TopoTarget came to the attention of the market in April 2014 on the announcement about the merger of the Danish epigenetic company with the larger French company BioAlliance – under the management of BioAlliance – which significantly increased the valuation of TopoTarget. Also in April 2014, the Spanish biotech company Oryzon Genomics licensed the global rights to the development and marketing of an epigenetic LSD1 inhibitor to pharmaceutical group Roche, for which it received an upfront payment of $21 million as well as potential further performance-related milestone payments of up to $500 million. 4SC's drug candidate 4SC-202 targets the same target molecule as the Oryzon compound, among other things.

1.2 4SC on the stock markets

4SC AG's shares shed 39.4% of their value in the first six months of the current financial year, underperforming the benchmark indices NASDAQ Biotechnology (+13.5%) and DAXsubsector Biotechnology (+6.0%). On 30 June 2014, 4SC's shares finished trading at €0.97, which equates to a market capitalisation of €49.1 million.

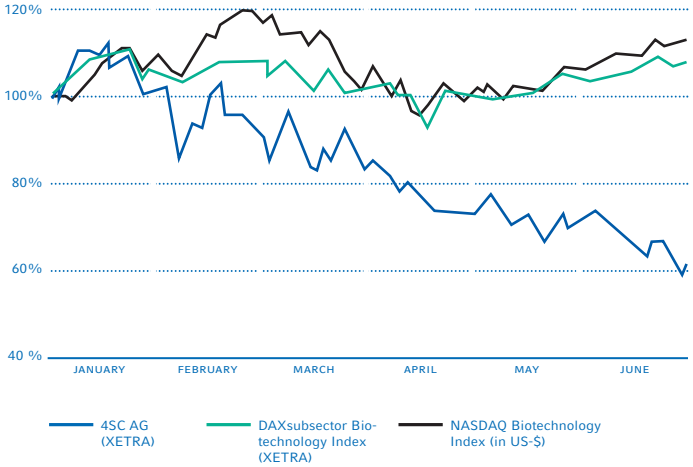
This development mainly took place in the second quarter, in which the Company's quotation trended downwards in spite of positive company news and a relatively stable stock market environment. 4SC's share price fell again by 30.5% in the period from April to June 2014.

According to 4SC's Management Board, one of the main reasons for these losses was a share overhang on the part of an existing shareholder, which was eliminated at the end of the quarter. Shortly after the end of the reporting period, 4SC reported that the reallocation of a larger package of shares originally held by VCG Venture Capital Gesellschaft mbH & Co. Fonds III KG i.L. (VCG Fonds III) and other shareholders of Deutsche Bank had been completed and all of the shares had been placed with a syndicate of institutional investors. This reallocation was necessary because VCG Fonds III is in liquidation and was therefore required to end its involvement with 4SC AG. On conclusion of this transaction, the free float of 4SC shares increased from 30.3% (as at 31 March 2014) to around 35.0%.

In the first quarter of 2014, 4SC concluded an agreement with US investor YA Global Master SPV Ltd. (Yorkville) in which the financing partner agreed to underwrite convertible notes in an amount of up to €15 million by the end of 2016. The revenue from this agreement will make a contribution to 4SC's short- and medium-term financing, especially the operational preparations for the further clinical development of resminostat in the indication of liver cancer. After converting the first convertible notes into a total of 36,840 4SC shares in the first quarter, further notes were converted into a total of 174,002 shares in the second quarter. As a consequence, the total number of shares as at 30 June 2014 increased to 50,582,656 (31 December 2013: 50,371,814).

Due to the higher total number of shares, among other things, the trading volume of 4SC shares continued to develop positively. The average daily trading volume across all German stock exchanges (including Tradegate) in the first half of 2014 was 75,255 shares. This constitutes an increase of 86% compared with the first six months of the previous year (average of 40,438 shares) and an increase of 103% compared with the 2013 financial year (average of 37,115 shares).

// SHARE PRICE (in % indexed on 4SC AG, 01.01.2014 - 30.06.2014)



// KEY FIGURES OF THE 4SC SHARE

	Q2 2014	Q2 2013	6M 2014	6M 2013
Number of shares issued (average, in 000's)	50,494	50,372	50,446	50,372
Free float (%)	35.0	30.0	35.0	30.0
3- resp. 6-month high (XETRA) (€)	1.32	2.14	1.79	2.20
3- resp. 6-month low (XETRA) (€)	0.93	1.58	0.93	1.58
Price at beginning of the period (XETRA) (€)	1.39	1.72	1.60	2.04
Price at end of the period (XETRA) (€)	0.97	1.63	0.97	1.63
Market capitalisation at end of the period (€000's)	49,065	82,106	49,065	82,106
Average daily trading volume (all markets incl. Tradegate, shares)*	85,554	26,581	75,255	40,438

* Due to a computation error, the figures listed in the 2013 consolidated half-yearly report for both the second quarter of 2013 and the first half of 2013 were too high.

1.3 Business review for the reporting period

The 4SC Group continued its development course in the second quarter of 2014. Both of the Group's operating segments achieved made good progress in their research and development activities. At Group level, 4SC took an important step towards strengthening its financing.

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 second 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 the most advanced compound in 4SC's product pipeline 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 continue for the planned clinical Phase II trial

Based on the positive results obtained in 2012 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) and 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 until market approval.

The completion of a double-blind, randomised controlled Phase II trial is intended as the next step on this path. In this trial, resminostat is to be tested in combination with sorafenib as first-line therapy of patients with advanced liver cancer (HCC) in comparison with the current standard treatment – monotherapy with sorafenib. The aim of this trial is to show the superiority of this treatment option 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. The data generated in the study will then be used as the basis for completing the subsequent Phase III registration trial as an HCC first-line therapy.

Operational preparations for the planned Phase II trial progressed well in the reporting period, particularly as regards the drafting of the study protocol, which 4SC is working on with a contract research organisation (CRO). The study plan is now at the initial draft stage: further revisions will be coordinated both internally and in talks with external key opinion leaders (KOLs) and experts. Following this, the trial protocol will be discussed with the competent authorities and the study will then commence shortly afterwards, assuming sufficient funding is available. In this context, the submission of an IND (Investigational New Drug Application) to the FDA is planned before the end of 2014. Significant progress was also made in the last quarter in terms of the resminostat manufacturing process (CMC).

4SC continues to pursue talks with potential partners and investors in order to secure funding for the planned Phase II trial.

Yakult Honsha Co., Ltd presses ahead with clinical development work in Japan

4SC's Japanese development partner Yakult Honsha Co., Ltd. is resolutely committed to pursuing the development of resminostat in Japan. In May 2014, the company successfully completed a clinical Phase I trial with resminostat in patients with advanced solid tumours. This study was able to demonstrate that the compound also achieved a good level of safety and tolerability for Japanese patients – two of the most important preconditions for further clinical development of resminostat in Japan. Completion of the study triggered a contractually agreed milestone payment to 4SC from Yakult Honsha Co., Ltd.

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 test resminostat in the combination therapy of Asian patients with the conventional cancer drugs sorafenib (in HCC) and docetaxel (in NSCLC), in contrast to monotherapy with the respective cancer drug. Each of these studies has two parts. The first part investigates tolerability in combination with resminostat at increasing dosages. This is followed in each case by a randomised Phase II trial, which will focus in particular on the efficacy of the treatment.

4SC-202

The Company's second epigenetic anti-cancer compound currently in clinical development is 4SC-202, a selective inhibitor of the epigenetic regulators LSD1 and HDAC 1, 2 and 3. Compared to resminostat, this drug candidate possesses a highly diversified chemical and therapeutic profile. In early June 2014, an initial set of positive top-line data from the 4SC-202 Phase I TOPAS trial in patients with advanced haematological tumours was made public at the ASCO Annual Meeting in Chicago. 4SC-202 proved to be both safe and well-tolerated by patients. In particular, the compound demonstrated promising indications of anti-tumour efficacy, both in terms of long-term stabilisation of the disease and in terms of shrinking the actual tumour itself.

The study population consisted of 24 heavily pretreated patients, on which various dosage regimes were tested. During the trial, one patient responded to the treatment with a "complete response" (complete remission, CR), i.e. the complete disappearance of all tumour lesions. Another patient also responded with a similarly encouraging partial response (partial remission, PR). In half of the trial population, it was possible to halt the progression of the disease for more than 100 days. In 13% of the population, the disease was stabilised for over a year, with one patient actually achieving stabilisation for a period of over two years.

The main study phase has been completed for all patients, with the one patient who has been a complete responder so far still remaining on follow-up study treatment. The data will be fully evaluated after final completion of the trial. On the strength of the positive results achieved to date, 4SC is now considering a range of options in relation to a potential clinical Phase II development of 4SC-202, and possibly in collaboration with potential partners.

4SC-205

The Company’s third anti-cancer compound – 4SC-205 – continues to be investigated in a clinical Phase I trial. An oral Eg5 kinesin inhibitor that blocks tumour cell division, this compound is currently being intensively trialled in patients with a special disease condition (lung tumour/metastases) in the ongoing AEGIS study. 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. It 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 continues to work with external project partners towards the goal of acquiring investors and development partners for the further development of this compound. This strategy aims to secure the external preparation and financing of a 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. Among others, 4SC Discovery GmbH collaborates with Mainz-based BioNTech AG and the Danish pharmaceutical company LEO Pharma S/A. There is also a strategic technology and sales partnership with CRELUX GmbH; this partnership was further strengthened in the reporting quarter.

In April 2014, the Company announced that 4SC Discovery GmbH had received a €450 thousand grant from the EU for research into new epigenetic compounds targeting cardiovascular diseases such as stroke. Within this research project, which is scheduled to run for three years, 4SC Discovery GmbH will work closely with the University of Munich Medical Clinic and other project partners, and will retain all rights to any compounds discovered. This grant will enable 4SC to deploy the epigenetic research expertise previously focused primarily on oncological disorders to the field of cardiovascular disease for the first time.

1.3.3 Significant events at Group level

At the beginning of June 2014, 4SC agreed a loan of up to €10 million with its main shareholder Santo Holding (Deutschland) GmbH (Santo). This is earmarked for financing the costs of preparing the planned clinical trial with resminostat and for financing the Company's ongoing administrative costs.

The shareholder loan carries interest of 8% p.a. and runs until the end of 2016 (maturity date). In line with its financial planning, 4SC can draw down credit lines in tranches until 31 December 2015. Early repayment or – under certain conditions – a reduction in the available loan amount is possible. If 4SC AG were to carry out a large cash capital increase during the loan term, it would also have the option of repaying that portion of the loan which has already been utilised by issuing new shares through a concurrent non-cash capital increase based on the same terms as the cash capital increase. If the loan is not repaid until the end of its term, 4SC will grant Santo options for acquiring 4SC Discovery GmbH or certain assets of this 4SC subsidiary at market value.

Shortly after the end of the reporting period, 4SC AG announced that the reallocation of a larger package of shares had been completed on 24 June 2014 and the shares placed with a syndicate of institutional investors. These shares had previously been held by VCG Venture Capital Gesellschaft mbH & Co. Fonds III KG i.L. (VCG Fonds III) and other group companies of Deutsche Bank. This reallocation was implemented because VCG Fonds III is in liquidation and was therefore required to end its involvement with 4SC AG. On conclusion of this transaction, the free float of 4SC shares increased from 30.3% (as at 31 March 2014) to around 35.0%.

Since June 2014, the 4SC team has included Dr Erich Enghofer, an experienced pharmaceutical manager and oncology expert. As the new Executive Vice President Oncology and Haematology, he will primarily advance the positioning and strategic marketing of resminostat in its further clinical development in the liver cancer indication and assist 4SC in establishing a partner network to potential pharmaceutical partners, strategic and clinical opinion leaders, and investors. Dr Enghofer has more than 30 years of experience in management and executive positions in the pharmaceutical industry, principally in oncology. As the former manager of the Haematology-Oncology division of Bayer Deutschland, he was involved in the regulatory approval and market success of the liver cancer drug sorafenib in Germany.

1.3.4 Staff

As at 30 June 2014, the headcount of the 4SC Group totalled 65 employees (incl. the Management Board of 4SC AG and the executive management of 4SC Discovery GmbH) (31 December 2013: 73). The Development segment had 38 employees as at 30 June 2014 (31 December 2013: 47), while the Discovery & Collaborative Business segment had 27 (31 December 2013: 26).

On average, 65 employees (headcount) worked for the 4SC Group in the first six months of 2014 (H1 2013: 85). The Company had a total of 55 full-time employees (full-time equivalents, FTEs) as at 30 June 2014 (31 December 2013: 56), taking part-time employees and employees on parental leave into account. As the end of the first six months of 2014, 73% of these FTEs (31 December 2013: 72%) worked in Research and Development, with the remaining 27% (31 December 2013: 28%) working 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 six 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 30 June 2014, 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 Results of operations

Revenue

The 4SC Group lifted its revenue by 117% to €2,535 thousand in the second quarter of 2014 (Q2 2013: €1,166 thousand). Consolidated revenue amounted to €3,975 thousand in the first half of 2014 (H1 2013: €1,958 thousand), an increase of 103%. This primarily comprises revenue generated by the Discovery & Collaborative Business segment under the cooperation agreements with BioNTech AG and LEO Pharma A/S, Denmark. Through its Development segment, 4SC generated revenue of €1,704 thousand in the reporting period with its partner Yakult Honsha Co., Ltd. This includes a contractually agreed milestone payment, the recognition of deferred income and allocations of costs for resminostat production for Yakult`s clinical trials.

Revenue of €1,704 thousand was generated in the Development segment in the second quarter of 2014 (Q2 2013: €223 thousand; +664%). In the first six months of the year, revenue in this segment was increased by 328% to €1,927 thousand (H1 2013: €450 thousand).

The Discovery & Collaborative Business segment contributed €831 thousand to consolidated revenue in the second quarter (Q2 2013: €942 thousand). It generated segment revenue of €2,048 thousand in the first six months of the year (H1 2013: €1,508 thousand), an increase of 36%.

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 administrative costs, amounted to €4,291 thousand in the second quarter of 2014 (Q2 2013: €4,593 thousand) and to €7,854 thousand in the first half of 2014 (H1 2013: €8,124 thousand). Both figures were down compared with the previous year.

The Development segment accounted for €6,322 thousand (H1 2013: €6,567 thousand) of operating expenses in the first half-year, while the Discovery & Collaborative Business segment incurred €2,159 thousand (H1 2013: €2,289 thousand) and the consolidation accounted for €-627 thousand (H1 2013: €-731 thousand).

Research and development costs incurred in connection with ongoing clinical studies and preparations for a planned clinical trial with resminostat continued to

make up the majority of expenses. Research and development costs amounted to €1,830 thousand for the second quarter of 2014 (Q2 2013: €3,132 thousand) and to €3,862 thousand for the first six months (H1 2013: €5,146 thousand). This decrease results from lower staff costs as a consequence of savings programmes in the prior year and the overall low level of activity in the area of clinical trials compared with the previous year.

The cost of sales increased to €1,494 thousand in the second quarter of 2014 (Q2 2013: €420 thousand) and to €2,133 thousand in the first half of the year (H1 2013: €639 thousand). These increases are partly due to the research partnerships of 4SC Discovery GmbH, especially with BioNTech AG and LEO Pharma A/S, Denmark. However, this item also includes the cost of sales incurred to produce resminostat for clinical trials in Japan, expenses which were on-charged to Yakult Honsha Co., Ltd.

Distribution costs, which consist of the costs incurred by Business Development as well as the PR & Marketing units, increased by 65% to €269 thousand in the second quarter of the year (Q2 2013: €163 thousand) and by 15% to €389 thousand in the first six months (H1 2013: €337 thousand) due to higher consulting costs in Business Development.

Administrative costs were reduced substantially in both the second quarter and the first six months of 2014 compared with the same periods in 2013, mainly due to the cost-cutting programme implemented in 2013. These amounted to €698 thousand in the second quarter of 2014 (Q2 2013: €878 thousand; -20%) and to €1,470 thousand in the first half of 2014 (H1 2013: €2,002 thousand; -27%).

Operating profit/loss

The Company's loss from operating activities decreased by 49% in the second quarter of 2014 to €1,747 thousand (Q2 2013: €3,427 thousand) and by 37% in the first six months of the year to €3,870 thousand (H1 2013: €6,165 thousand) on the back of higher revenue and lower operating expenses.

Net finance income/loss

A net finance loss of €36 thousand was incurred in the second quarter of 2014 (Q2 2013: net finance income of €30 thousand). The net finance loss for the first half of 2014 was €34 thousand (H1 2013: net finance income of €90 thousand). This was attributable to a substantial increase in interest expense to €54 thousand in the first half of 2014 (H1 2013: €4 thousand). Interest expense stems primarily from the convertible note agreement signed with Yorkville and the draw-down of the first tranche on the Santo loan. Income from long-term equity investments also decreased to €17 thousand (H1 2013: €50 thousand). Interest income fell to €4 thousand in the first six months of 2014 (H1 2013: €44 thousand) on account of the lower investment amount coupled with lower interest rates.

Taxes

In the second quarter and the first half of 2014, 4SC reported tax expense of €70 thousand (Q2 2013 and H1 2013: €0 thousand).

Consolidated net loss

The net loss for the period decreased by 45% year on year to €1,853 thousand in the second quarter of 2014 (Q2 2013: €3,397 thousand) and by 35% to €3,974 thousand in the first six months (H1 2013: €6,075 thousand). Further information regarding segment results can be found in the consolidated notes.

Earnings per share

The conversion of convertible notes into shares increased the total number of shares as at 30 June 2014 slightly to 50,582,656 (31 December 2013: 50,371,814). 4SC's financing partner Yorkville had converted convertible notes into a total of 36,840 shares in the first quarter followed by 174,002 4SC shares in the second quarter.

On account of the lower net loss for the period and the slight increase in the number of shares, the loss per share fell to €0.04 in the second quarter of 2014 (Q2 2013: loss of €0.07) and to €0.08 in the first six months of 2014 (H1 2013: loss of €0.12).

2.2 Net assets

Non-current assets

Non-current assets amounted to €11,204 thousand as at 30 June 2014 (31 December 2013: €11,591 thousand. This decrease is mainly due to depreciation and amortisation. Intangible assets amounted to €10,240 thousand as at 30 June 2014 (31 December 2013: €10,651 thousand).

Current assets

Current assets decreased to €5,064 thousand as at 30 June 2014 (31 December 2013: €6,114 thousand), mainly on account of lower cash and cash equivalents of €3,423 thousand (31 December 2013: €3,899 thousand) and a decline in other financial assets to €0 thousand (31 December 2013: €1,000 thousand). By contrast, trade accounts receivable increased to €752 thousand (31 December 2013: €346 thousand). These are attributable to the research collaborations in the Discovery & Collaborative Business segment. Other current assets amounted to €848 thousand as at 30 June 2014 (H1 2013: €773 thousand).

Equity

The decline in equity from €11,282 thousand as at 31 December 2013 to €7,558 thousand as at 30 June 2014 was driven primarily by the loss for the period of €3,974 thousand, lifting the accumulated deficit accordingly, from €119,260 thousand at the end of the 2013 financial year to €123,234 thousand as at 30 June 2014. The increase in debt (Santo loan) lowered the equity ratio by 23.1 percentage points, from 63.7% at the end of the 2013 financial year to 46.5% at the end of the first half of 2014.

Non-current liabilities

Non-current liabilities increased to €4,546 thousand as at 30 June 2014 (31 December 2013: €2,836 thousand) on account of liabilities to shareholders in the amount of €2,002 thousand (31 December 2013: €0 thousand). In June, 4SC's majority shareholder Santo Holding (Deutschland) GmbH extended a loan of over €10 million to the Company, of which the first tranche of €2,000 thousand was drawn down in the second quarter of 2014. Other non-current liabilities amounted to €309 thousand as at 30 June 2014 (31 December 2013: €154 thousand) and included deferred income of €2,235 thousand at the reporting date (31 December 2013: €2,682 thousand). As previously, this figure consists largely of deferred income in connection with the partnership with Yakult Honsha Co., Ltd., Japan.

Current liabilities

Current liabilities increased to €4,164 thousand as at 30 June 2014 (31 December 2013: €3,587 thousand). This item includes trade accounts payable of €1,408 thousand (31 December 2013: €675 thousand) arising in particular from the production of resminostat for Yakult Honsha Co., Ltd., Japan. Deferred income fell to €991 thousand (31 December 2013: €1,323 thousand). At the reporting date, there were also liabilities of €213 thousand for convertible notes issued to Yorkville (31 December 2013: €0 thousand).

Total assets/Total equity and liabilities

Total assets/total equity and liabilities of the 4SC Group amounted to €16,268 thousand as at 30 June 2014 (31 December 2013: €17,705 thousand). This 8% decrease is primarily attributable to the loss for the period.

2.3 Financial position

Cash flows from operating activities

Cash flows from operating activities for the first six months of 2014 amounted to €-3,880 thousand and thus correspond to the operating loss for this period of €3,870 thousand. In spite of a 37% decrease in the operating loss compared with the prior-year period, the cash flows from operating activities are considerably lower than the comparative figure for the previous year (H1 2013: €-2,820 thousand). However, the cash flows from operating activities in the first half of 2013 had been positively influenced by several one-off effects, including high upfront payments under licence partnerships of 4SC Discovery GmbH with BioNTech AG and LEO Pharma A/S, as well as non-cash impairment losses in connection with the streamlining of the product pipeline carried out in the previous year. The reduction of deferred income was primarily attributable to the upfront payments by Yakult Honsha Co., Ltd., Japan, and LEO Pharma A/S, Denmark.

Cash flows from investing activities

The cash inflows from investing activities in the first six months of 2014 amounted to €941 thousand (H1 2013: €2,957 thousand). Of this figure, €59 thousand was invested in property, plant and equipment in the first half of 2014 (H1 2013: €17 thousand). In the reporting period, financial investments of €1,000 thousand were sold, however (H1 2013: €3,994 thousand). Financial investments of €1,000 thousand had also been acquired in the first six months of 2013 (H1 2014: €0 thousand).

Cash flows from financing activities

Cash flows from financing activities in the first six months of 2014 of €2,463 thousand result in particular from the draw-down of a tranche of €2,000 thousand of the Santo shareholder loan (plus interest of €2 thousand) as well as from the issue of convertible notes to Yorkville. Since no capital measures were executed in the first half of 2013, no cash flows from financing activities were generated.

Funds

Cash and cash equivalents amounted to €3,423 thousand as at 30 June 2014 (31 December 2013: €3,899 thousand). The average monthly outflow of cash from operating activities was €647 thousand in the first half of 2014 (H1 2013: €475 thousand).

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 falls additional capital measures such as a 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 July 2014, 4SC announced the start of a collaboration between 4SC Discovery GmbH and its strategic partner CRELUX GmbH focusing on the research and identification of new epigenetic anti-cancer compounds. Based on their joint research platform i2c, the partners want to identify bromodomain inhibitors and research their possible subsequent use in personalised medicine. Bromodomains are considered promising targets for new drugs. Scheduled for an initial 11-month run, this cooperation project will receive funding under the Munich m⁴ biotech cluster programme.

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

There is currently a somewhat optimistic mood in the German biotech sector regarding performance for the rest of 2014. According to a survey conducted by the German Biotech Industry Association (DIB), 62% of the companies interviewed expect to see moderate revenue growth in the coming months, with about a third expecting business to remain positive. Only 4% are preparing to face a revenue downturn. Accordingly, just under half of those responding to the survey are planning to expand research activities in the current year, while just over 40% intend to keep R&D costs at the level of the previous financial year. As regards financing conditions, over 95% of the largest biotech companies said they had experienced no difficulties in procuring borrowed capital. This is in sharp contrast to the plight of SMEs and start-ups, however, all of whom continue to face an uphill struggle, especially in terms of capital procurement.

Despite the brief downward trend in March, the situation is different for the US biotech sector, which can continue to expect a positive response from the capital market. After no fewer than 59 IPOs took place in the first six months of 2014 – with an estimated total volume of USD 3.9 billion – another 30 companies announced plans for a US IPO in the period from April to early July alone. Following the pullback in the first quarter of 2014, investors remain generally optimistic regarding the further performance of biotech sector stocks. That said, investors are expected to become more picky, especially when looking at small-cap biotech stocks and IPOs.

Forecast for the Company

As before, the 4SC Group continues to pursue the focused research and development strategy adopted mid-year 2013, whose guiding principle is the further development of those projects currently offering the greatest potential to increase value for the Company.

The main focus here is on the development of the anti-cancer compound resminostat as a first-line therapy for advanced liver cancer (HCC) in combination therapy with the cancer drug sorafenib. The next step to be taken towards the ultimate goal of resminostat's market approval will be the execution of a Phase II trial in this indication. Assuming its successful completion, this trial shall then be followed by a Phase III registration trial.

In the reporting period, 4SC worked with a contract research organisation (CRO) on the draft of the study protocol for the Phase II trial. Revisions to this draft are now being coordinated both internally and with external experts and key opinion leaders. This protocol will then need to be submitted to the regulatory agencies – first and foremost the US Food and Drug Administration (FDA) and the European Medicines Agency (EMA) – for further discussion. Following the inclusion of any necessary amendments that may be requested by regulators, a request to carry out the clinical trial can then be submitted; in the USA, this is completed as part of the IND (Investigational New Drug Application) process.

In this planned double-blinded randomised Phase II trial, resminostat is to be tested in combination with sorafenib as first-line therapy of patients with advanced

liver cancer (HCC) compared with the current standard treatment – monotherapy with sorafenib – with the aim of demonstrating the superiority of this treatment method 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 possible Phase III registration trial.

At the same time, 4SC is still engaged in discussions with potential regional and global partners as well as investors with a view to securing funding for the Phase II trial. Provided that funding is secured, the Company continues to assume that it will be in a position to submit the study programme application before the end of the year and commence the trial in early 2015.

In terms of the deployment of the epigenetic compound 4SC-202 in patients with advanced haematological tumours, 4SC was able to announce an initial set of positive results in the reporting period. The main study phase has been completed for all patients, with the one patient who has been a complete responder so far still remaining on follow-up study treatment. The data will be fully evaluated after final completion of the trial. 4SC is now considering a range of options in relation to a potential clinical Phase II development of this compound in collaboration with potential partners.

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

As regards vidofludimus, the Company's lead compound for autoimmune diseases, 4SC further intends to work with external project partners with the aim of acquiring investors and industry partners. Their support will be used to implement and finance the further external 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 these development programmes' value creation potential over the long term.

In the Discovery & Collaborative Business segment, the aim of 4SC Discovery GmbH is 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 €3,423 thousand at the end of the first half of 2014. Considering the convertible note agreement signed in the first quarter with YA Global Master SPV Ltd. (Yorkville) and the loan agreement signed in June with Santo Holding (Deutschland) GmbH, the Company expects these funds to suffice to finance the Company’s activities up until the end of 2015. This forecast is based on the assumption that firstly the average monthly operating cash burn rate in 2014 will be approximately €400 thousand and secondly the Company’s research and development programmes will continue to run according to plan. This planning does not include the launch of additional clinical trials.

In addition, 4SC is still working hard on a number of other options to safeguard the long-term financing of the entire Company and also the further development of the compound resminostat in the planned Phase II trial.

According to the current planning, research and development costs for 2014 are much lower than in the previous year, additional clinical trials not included. As a result of cost reductions mainly in human resources resulting from the restructuring implemented in 2013 and the expected contributions by 4SC Discovery GmbH's positive activities to earnings, the consolidated net loss for

2014 should improve further year-on-year, provided that the Company's research and development programmes and existing partnerships continue as planned. In the event of funding being secured and the start of further clinical trials – particularly the Phase II liver cancer study with resminostat – the Company's cost structure will change markedly, with significant rises in both development expenses and the cash burn rate. 4SC expects to post annual net losses in the short to medium term.

Given its positive business development to date, 4SC Discovery GmbH could achieve at least break-even for operating cash flow in 2014.

After re-focusing its corporate strategy in 2013, 4SC believes it is well positioned for 2014 and beyond. This estimate is based for one thing on its attractive development programmes – especially the compound resminostat in the liver cancer indication – and, for another, on the flow of clinical news – including news about the development of resminostat in Japan by 4SC's partner Yakult Honsha Co., Ltd. that is expected to continue in the short and medium term – as well as the strengths in the area of early-stage research that are consolidated in 4SC Discovery GmbH and its collaborative business.

The short- to medium-term challenge remains obtaining sufficient financing to ensure the rapid and systematic advancement of resminostat and the continued existence of the 4SC Group as a whole.

Planegg-Martinsried, 31 July 2014

Enno Spillner
Chairman of the
Management Board

Dr. Daniel Vitt
Member of the
Management Board

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the period from 1 January to 30 June 2014

// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in € 000's

	Q2 2014	Q2 2013	6M 2014	6M 2013
Revenue	2,535	1,166	3,975	1,958
Cost of sales	-1,494	-420	-2,133	-639
Gross profit	**1,041**	**746**	**1,842**	**1,319**
Distribution costs	-269	-163	-389	-337
Research and development costs	-1,830	-3,132	-3,862	-5,146
Administrative costs	-698	-878	-1,470	-2,002
Other income	9	0	9	1
Operating profit/loss	**-1,747**	**-3,427**	**-3,870**	**-6,165**
Net finance income/loss				
Share in the profit of equity-accounted investees	3	11	17	50
Finance income	0	20	4	44
Finance costs	-39	-1	-54	-4
Net finance income/loss	**-36**	**30**	**-34**	**90**
Earnings before taxes	**-1,783**	**-3,397**	**-3,904**	**-6,075**
Income tax	-70	0	-70	0
Net profit/loss for the period = Consolidated comprehensive income/loss	**-1,853**	**-3,397**	**-3,974**	**-6,075**
Earnings per share (basic and diluted; in €)	-0.04	-0.07	-0.08	-0.12

// CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

in € 000's

	30.06.2014	31.12.2013
Non-current assets		
Intangible assets	10,240	10,651
Property, plant and equipment	529	602
Investments accounted for using the equity method	198	181
Other assets	237	157
Total non-current assets	**11,204**	**11,591**
Current assets		
Inventories	23	23
Trade accounts receivable	752	346
Receivables from investees	0	0
Other financial assets	0	1,000
Cash and cash equivalents	3,423	3,899
Current income tax assets	17	73
Other assets	848	773
Total current assets	**5,064**	**6,114**
Total assets	**16,268**	**17,705**

// CONSOLIDATED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

in € 000's

	30.06.2014	31.12.2013
Equity		
Subscribed capital	50,583	50,372
Share premium	78,394	78,355
Reserves	1,815	1,815
Accumulated deficit	-123,234	-119,260
Total equity	**7,558**	**11,282**
Non-current liabilities		
Liabilities to shareholders	2,002	0
Deferred income	2,235	2,682
Other liabilities	309	154
Total non-current liabilities	**4,546**	**2,836**
Current liabilities		
Trade accounts payable	1,408	675
Accounts payable to associates	0	28
Convertible bonds issued	213	0
Other liabilities	1,552	1,561
Deferred income	991	1,323
Total current liabilities	**4,164**	**3,587**
Total equity and liabilities	**16,268**	**17,705**

// CONSOLIDATED STATEMENT OF CASH FLOWS

in € 000's

	6M 2014	6M 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings before taxes	-3,974	-6,075
Adjustment for statement of comprehensive income items		
Depreciation and amortisation	543	595
Net finance income/loss	34	-90
Stock options	1	29
Other non-cash items	-48	709
Changes in statement of financial position items		
Inventories	0	-2
Trade accounts receivable	-406	2,424
Current income tax assets	56	61
Other assets	-155	-138
Trade accounts payable	733	-171
Accounts payable to associates	-28	-10
Deferred income	-781	317
Other liabilities	145	-513
Interest received	3	47
Interest paid	-3	-3
CASH FLOWS FROM OPERATING ACTIVITIES	**-3,880**	**-2,820**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	0	-20
Purchase of property, plant and equipment	-59	-17
Purchase of financial investments	0	-1000
Sale of financial investments	1,000	3,994
CASH FLOWS FROM INVESTING ACTIVITIES	**941**	**2,957**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of subscribed capital	211	0
Payments to share premium	39	0
Cash received (paid) from the issuance of convertible bonds	213	0
Payments of shareholder loans	2,000	0
CASH FLOWS FROM FINANCING ACTIVITIES	**2,463**	**0**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**-476**	**137**
+ Cash and cash equivalents at the beginning of the period	3,899	6,076
= CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**3,423**	**6,213**

// CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in € 000's

			Reserves			
	Subscribed capital	Share premium	Reserves Stock options	Retained earnings	Accumulated deficit	Total
Balance on 01.01.2013	**50,372**	**78,414**	**1,695**	**67**	**-108,735**	**21,813**
Options issued (ESOP 2009/2009)						
Options issued (ESOP 2009/2010)			13			
Options issued (ESOP 2009/2011)			0			
Comprehensive income/loss 01.01.-30.06.2013			1			-2,678
Net profit/loss for the period 01.01.-30.06.2013						-2,678
Balance on 30.06.2013	**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)						
Options issued (ESOP 2009/2010)						
Options issued (ESOP 2009/2011)						
Capital increase from the conversion						
of convertible bonds	211	39				250
Comprehensive income/loss 01.01.-30.06.2014						
Net profit/loss for the period 01.01.-30.06.2014					-3,974	-3,974
Balance on 30.06.2014	**50,583**	**78,394**	**1,748**	**67**	**-123,234**	**7,558**

SELECTED CONSOLIDATED NOTES OF 4SC

to the consolidated interim report as at 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

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

1.2 Companies included in the consolidated financial statements

These interim consolidated financial statements as at 30 June 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 31 July 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 25 July 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 30 June 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 comprises the activities collectively handled by 4SC Discovery GmbH as at 30 June 2014, namely drug discovery and early-stage research plus subsequent commercialisation, in particular through service business and research collaborations related to drug discovery and optimisation.

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

// SEGMENT RESULTS

in € 000's

	Development		Discovery & Collaborative Business		Not allocated		Consolidation		Group	
	6M 2014	6M 2013	6M 2014	6M 2013	6M 2014	6M 2013	6M 2014	6M 2013	6M 2014	6M 2013
Statement of comprehensive income										
Revenue (total)	**1,927**	**450**	**2,048**	**1,508**	**0**	**0**	**0**	**0**	**3,975**	**1,958**
External revenue	1,927	450	2,048	1,508	0	0	0	0	3,975	1,958
Intersegment revenue	0	0	0	0	0	0	0	0	0	0
Other income	**563**	**679**	**73**	**53**	**0**	**0**	**-627**	**-731**	**9**	**1**
Operating expenses	**-6,322**	**-6,567**	**-2,159**	**-2,289**	**0**	**0**	**627**	**731**	**-7,854**	**-8,124**
of which research and development costs	-3,478	-4,273	-800	-1,357	0	0	416	484	-3,862	-5,146
of which cost of sales, distribution costs and administrative costs	-2,844	-2,293	-1,359	-932	0	0	211	247	-3,992	-2,978
Segment result	**-3,832**	**-5,437**	**-38**	**-728**	**0**	**0**	**0**	**0**	**-3,870**	**-6,165**
Net finance income/loss	**-1**	**-1**	**0**	**0**	**-33**	**91**	**0**	**0**	**-34**	**90**
Earnings before taxes	**-3,833**	**-5,438**	**-38**	**-728**	**-33**	**91**	**0**	**0**	**-3,904**	**-6,075**
Income tax expense	-70	0	0	0	0	0	0	0	-70	0
Net profit/loss for the year	**-3,903**	**-5,438**	**-38**	**-728**	**91**	**91**	**0**	**0**	**-3,974**	**-6,075**
Item of the statement of financial position & fixed assets										
Non-current assets	10,382	11,225	467	509	355	361	0	0	11,204	12,095
Current assets	403	222	764	912	3,897	9,415	0	0	5,064	10,549
Total segment assets	**10,785**	**11,447**	**1,231**	**1,421**	**4,252**	**9,776**	**0**	**0**	**16,268**	**22,644**
Equity	0	0	0	0	7,558	15,767	0	0	7,558	15,767
Non-current liabilities	2,544	3,225	0	107	2,002	0	0	0	4,546	3,362
Current liabilities	3,205	2,423	752	1,092	207	0	0	0	4,164	3,515
Total segment liabilities	**5,749**	**5,678**	**752**	**1,199**	**9,767**	**15,767**	**0**	**0**	**16,268**	**22,644**
Capital expenditure	13	12	46	25	0	0	0	0	59	37
Depreciation and amortisation	444	505	99	90	0	0	0	0	543	595

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

in € 000's

	6M 2014	6M 2013
Germany	1,078	704
Europe	971	804
Asia	1,927	450
Revenue	**3,975**	**1,958**

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

	Q2 2014	Q2 2013	6M 2014	6M 2013
Based on net profit/loss for the period (in €000's)	-1,853	-3,397	-3,974	-6,075
Based on average number of shares (in thsd.)	50,450	50,372	50,438	50,372
Earnings per share (basic and diluted, in €)	**-0.04**	**-0.07**	**-0.08**	**-0.12**

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. There were no other financial assets as at 30 June 2014. Taken together, these items comprise the cash balance/funds:

in € 000's

	30.06.2014	31.12.2013	30.06.2013
Cash and cash equivalents at the end of the period	3,423	3,899	6,213
Other financial assets	0	1,000	2,999
Cash balance/funds	**3,423**	**4,899**	**9,212**

5. SHAREHOLDINGS AND DIRECTORS' DEALINGS

In the second quarter of 2014 the following reportable transaction pursuant to Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz - WpHG) was made with shares or options by a member of a corporate body:

Directors` Dealings

Date	Name	Function	Type of transaction	Market	Price in €	Number	Transaction volume in €
12.05.2014	Manfred Rüdiger	Supervisory Board	Purchase	Frankfurt Stock Exchange	1.124	2,500	2,810.00

The following overviews show the shares and stock options held by members of the Management Board and Supervisory Board as at the 30 June 2014 reporting date as well as changes in these holdings compared to the start of the year.

Number of shares

	Shares 01.01.2014	Purchase	Sale	Shares 30.06.2014
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	2,500	0	7,500
Shares held by the Supervisory Board	**28,593**	**2,500**	**0**	**31,093**

Number of stock options

	Options 01.01.2014	Additions	Expired	Exercised	Options = maximum number of shares 30.06.2014
Management Board					
Dr Daniel Vitt	142,600	0	0	0	142,600
Enno Spillner	223,200	0	0	0	223,200
Options held by the Management Board	**365,800**	**0**	**0**	**0**	**365,800**

6. RELATED PARTY TRANSACTIONS

4SC engaged in the following significant business transactions with related parties in the period from 1 January to 30 June 2014:

Santo Holding GmbH (shareholder with a 49.5% interest in the share capital of 4SC AG)

In June 2014, Santo Holding (Deutschland) GmbH, Holzkirchen, granted 4SC AG a shareholder loan of up to €10 million earmarked for financing the costs of preparing for a planned clinical trial of the drug resminostat in the liver cancer indication and for financing the ongoing administrative costs of 4SC AG. As per its financial planning, 4SC AG can draw down the credit line in tranches until 31 December 2015. The loan carries interest of 8% p.a. (maturity date) and runs until the end of 2016. In the second quarter of 2014, 4SC AG drew down the first tranche of this loan in the amount of €2,000 thousand.

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

4SC maintains legal relations with quattro research GmbH, in which it has held a 48.8% stake of the share capital since its founding at the beginning of 2004. A software service contract exists between the companies, on the basis of which quattro research GmbH renders services for improvement, further development, user support, further training and database maintenance in relation to software created by 4SC for supporting research activities. In the first six months of 2014, this contract had a net volume of €60 thousand (H1 2013: €60 thousand).

Bankhaus Donner & Reuschel AG, Hamburg (DRB) (other related parties)

DRB has been providing services to 4SC AG as a designated sponsor since April 2012. As a result of this contract, 4SC incurred costs of €10 thousand in the six-month reporting period (H1 2013: €10 thousand). A reallocation of 4SC shares previously held by existing shareholders to institutional investors was managed by DRB in the first half of 2014. No liabilities existed towards DRB as at 30 June 2014.

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

BioNTech AG and BioNTech RNA Pharmaceuticals GmbH, Mainz (other related parties)

4SC Discovery GmbH maintains legal relations with BioNTech AG, Mainz, and its subsidiary BioNTech RNA Pharmaceuticals GmbH (formerly: Ribological GmbH), which both belong to the group of Santo Holding (Deutschland) GmbH, Holzkirchen, the main shareholder of 4SC. On 17 December 2012, a licensing agreement was concluded for TLR agonists. Under the agreement, 4SC Discovery GmbH received an upfront payment of €2.5 million from BioNTech AG and is entitled to subsequent performance-based payments on achievement of specific sales milestones and to royalties. Furthermore, at the start of 2013, a service partnership was launched at standard market terms in which 4SC Discovery GmbH will identify new small-molecule, anti-cancer compounds for defined therapeutic targets and optimise these for BioNTech AG and/or its subsidiaries. In the first six months of 2014, this contract had a net volume of €676 thousand (H1 2013: €622 thousand) with respect to BioNTech AG and €31 thousand (H1 2013: €47 thousand from a previous

collaboration) with respect to BioNTech RNA Pharmaceuticals GmbH. At the 30 June 2014 reporting date, there were receivables from BioNTech AG amounting to €242 thousand (31 December 2013: €170 thousand) and receivables from BioNTech RNA Pharmaceuticals GmbH totalling €8 thousand (31 December 2013: €9 thousand), which were paid in August 2014.

AiCuris GmbH & Co. KG, Wuppertal (other related party)

4SC Discovery GmbH maintains legal relations with AiCuris GmbH & Co. KG, Wuppertal, which belongs to the group of Santo Holding (Deutschland) GmbH, Holzkirchen, the main shareholder of 4SC. In November 2013, a collaboration between 4SC Discovery GmbH and CRELUX GmbH (both in Planegg-Martinsried) on the one hand and AiCuris GmbH & Co. KG (Wuppertal) on the other was arranged at standard market terms. The objective of the collaboration is the identification and validation of innovative small-molecule compounds targeting pathogen-specific interactions in infectious diseases. There were no activities in relation to AiCuris GmbH & Co. KG in the first six months of 2014 (H1 2013: €0 thousand). At the 30 June 2014 reporting date, there were no receivables from AiCuris GmbH & Co. KG (31 December 2013: no receivables, either).

Other related party transactions

Beyond this, there were further business transactions with related parties, where the transaction volume in the six-month reporting period in each case did not exceed €10 thousand or where the total annual transaction volume is likely not to exceed €10 thousand. No liabilities existed from these transactions as at 31 December 2013.

7. REVIEW REPORT

These interim consolidated financial statements and the interim Group management report as at 30 June 2014 have been subjected to a review by Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft, Munich.

8. EVENTS AFTER THE REPORTING PERIOD

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

REVIEW REPORT

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

We have reviewed the interim consolidated financial statements - comprising the consolidated statement of comprehensive income, consolidated statement of financial position, the consolidated statement of cash flows, consolidated statement of changes in equity as well as selected explanatory consolidated notes - together with the interim Group management report of 4SC AG, Planegg-Martinsried, District of Munich, for the period from 1 January to 30 June 2014 that are part of the consolidated half-year financial report according to Section 37w WpHG ("Wertpapierhandelsgesetz": "German Securities Trading Act"). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS as adopted by the EU and of the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim Group management reports is the responsibility of the Company's legal representatives. Our responsibility is to issue review report on the condensed interim consolidated financial statements and the interim management report of the Group based on our review.

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

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

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

Munich, 31 July 2014

Baker Tilly Roelfs AG Wirtschaftsprüfungsgesellschaft

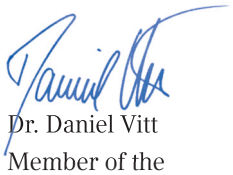
Stahl	Hund
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements for the first six months give a true and fair view of the assets, liabilities, financial position and profit or loss of the 4SC Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the 4SC Group, together with a description of the material opportunities and risks associated with the expected development of the 4SC Group."

Planegg-Martinsried, 31 July 2014

Enno Spillner
Chairman of the
Management Board



Dr. Daniel Vitt
Member of the
Management Board

FINANCIAL CALENDAR

// 2014 FINANCIAL CALENDAR

Consolidated 9-month financial report (Q3/2014)	6. November 2014
Analyst conference – German Equity Forum, Frankfurt	25. November 2014

PUBLISHING INFORMATION

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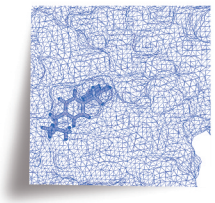

The cover picture shows the cancer compound resminostat binding to the HDAC target molecule. In 2013, 4SC resolved to focus on its main value drivers. Activities will concentrate on the development of resminostat in the liver cancer indication.

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