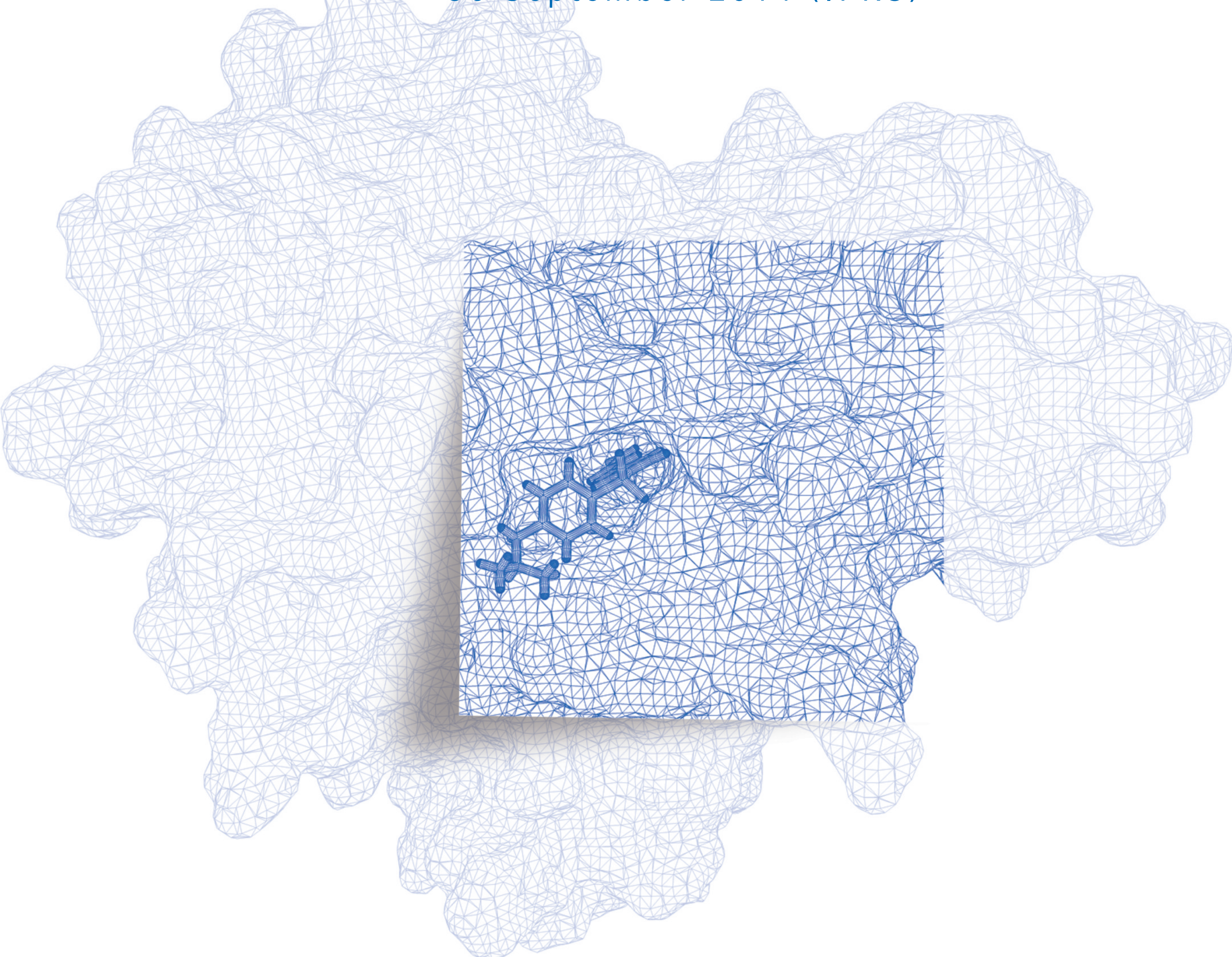
CONSOLIDATED 9-MONTH FINANCIAL REPORT

30 September 2014 (IFRS)



4SC PRODUCT PIPELINE (as at 3 November 2014)

Development Segment (4SC AG)

ONCOLOGY

PRODUCT	INDICATION	RESEARCH	PRECLINICAL	PHASE I	PHASE II	PHASE III	PARTNER
Resminostat	Hepatocellular Carcinoma (HCC) (2nd line/Western)						Yakult
Resminostat	Hepatocellular Carcinoma (HCC) (1st line/Asia)					*	Yakult
Resminostat	Hodgkin's Lymphoma (HL)						Yakult
Resminostat	Colorectal Cancer (CRC)						Yakult
Resminostat	Non-small-cell lung cancer (NSCLC)					*	Yakult
Resminostat	Solid Tumours				*		Yakult
4SC-202	Haematological Tumours						
4SC-205	Solid Tumours						

AUTOIMMUNE DISEASES

PRODUCT	INDICATION	RESEARCH	PRECLINICAL	PHASE I	PHASE II	PHASE III	PARTNER
Vidofludimus	Inflammatory Bowel Disease (IBD)						

Discovery & Collaborative Business Segment (4SC Discovery GmbH)

RESEARCH PROGRAMMES

PRODUCT	INDICATION	RESEARCH	PRECLINICAL	PHASE I	PHASE II	PHASE III	PARTNER
Cancer Immunotherapy	Oncology						BIONTECH
Cytokine modulation	Autoimmune Diseases (Psoriasis)						LEO
Cytokine modulation	Inflammatory Eye Diseases (Uveitis)						panoptes all eyes on therapeutics
Cancer Stem Cells	Oncology						
Epigenetics	Oncology						
Ion Channel Blockers	Autoimmune Diseases						

* Study by Yakult Honsha in Japan

Study completed

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 service and research collaborations 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 3 November 2014

4SC GROUP – KEY FIGURES AT A GLANCE

in € 000's unless stated otherwise

	Q3 2014	Q3 2013	Change in %	9M 2014 resp. 30.09.2014	9M 2013 resp 30.09.2013	Change in %
Results of operations, financial position and net assets						
Revenue	2,202	1,766	25	6,177	3,724	66
Operating profit/loss	-2,335	-2,083	-12	-6,205	-8,248	25
Net profit/loss for the period	-2,334	-2,111	-11	-6,308	-8,186	23
Earnings per share (basic and diluted) (in €)	-0.05	-0.04	-25	-0.12	-0.16	25
Equity (end of period)				5,413	13,669	-60
Equity ratio (end of period) in %				31.9	68.6	-36.7%P
Total assets (end of period)				16,964	19,929	-15
Monthly cash inflow (+)/outflow (-) from operations (average)[1]				-716	-590	3
Capital measures (net)				437	0	-
Cash and cash equivalents (end of period)				3,366	6,750	-50

	Q3 2014	Q3 2013	Change in %	9M 2014 resp. 30.09.2014	9M 2013 resp. 30.09.2013	Change in %
Staff						
Total number of employees (incl. Management Board) (end of period)				65	78	-17
Number of full-time employees (incl. Management Board) (end of period)				55	57	-4

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

KEY EVENTS IN THE THIRD QUARTER OF 2014

> **July:**

4SC Discovery GmbH: Funds received for researching new epigenetic cancer drugs together with collaboration partner CRELUX

Together with its strategic collaboration partner CRELUX, 4SC's research subsidiary receives funding for the identification of new epigenetic anti-cancer compounds under the Munich m⁴ biotech cluster programme. The two partners are utilising the joint research platform i2c in the research of bromodomain inhibitors and their possible use in personalised medicine.

> **August:**

4SC AG: Two members of the Supervisory Board step down

Dr Thomas Werner and Klaus Kühn step down as members of the Supervisory Board of 4SC AG for personal reasons effective at the end of the day on 18 September 2014. The remaining Supervisory Board headed by the new Chairman Dr Clemens Doppler remains fully quorate. The Company was already able to find qualified candidates for the vacant Supervisory Board positions and proposed them to the responsible Registration Court for appointment. At the end of October 2014 – after the end of the reporting period – Joerg von Petrikowsky, an auditor and tax adviser, was appointed as a new Supervisory Board member. The Company is confident that the second person proposed will also be appointed in the foreseeable future.

> **September:**

4SC AG: Financial contributions tapped

As part of the financing agreement with Yorkville, 4SC is issuing the second tranche of convertible bonds in the gross amount of €500 thousand. The funds received will be used primarily to continue preparing for the planned clinical Phase II trial of the anti-cancer compound resminostat in liver cancer. In conjunction with a tranche also drawn down in the third quarter totalling €2 million from the shareholder loan from Santo Holding, these funds will contribute substantially to financing the operations of the Company.

Resminostat: Yakult Honsha completes Phase I part of Asian liver cancer study and starts Phase II part

4SC's Japanese partner Yakult Honsha successfully completes the clinical Phase I part of a Phase I/II trial with resminostat in Asian patients with liver cancer (HCC) and commences the randomised Phase II part with up to 140 patients. The Phase I part confirmed the safety and tolerability of the trialled resminostat-sorafenib combination with the planned dosage regime. Phase II will compare the efficacy of the resminostat-sorafenib combination to the standard liver cancer monotherapy with sorafenib.

Dear Shareholders,
Dear Friends and Partners of 4SC,

The current situation in West Africa vividly illustrates how indispensable drug discovery and development is for the future of society. In the years to come, we must further ramp up our efforts to provide humanity with effective protection from life-threatening disorders such as Ebola, cancer or threats that remain as yet unknown to us. In our work, we do not merely pursue lucrative economic goals but – more importantly – we fully accept our responsibility to the wider community. As a 4SC investor, employee or partner of 4SC, you have already been playing your part for many years. I wish to express my heartfelt thanks for your support.

Together, we have now made considerable progress with our epigenetic anti-cancer compound resminostat. This development is to no small degree thanks to our collaboration partner Yakult Honsha. The dedication of the Japanese pharmaceutical company and cancer specialist continues unabated, as does its development work on resminostat for the domestic market. The successes of the last few months speak for themselves. The clinical Phase I part of a Phase I/II trial with resminostat in Asian liver cancer patients was completed with positive results. In this study, the compound proved to be safe and well-tolerated as a combination therapy with the standard cancer drug sorafenib. Yakult Honsha has already commenced the randomised Phase II part. This is intended to demonstrate the superiority of the combination therapy using resminostat and sorafenib versus the current standard liver cancer therapy that uses sorafenib alone. Our partner Yakult Honsha is also on the right track as regards the development of resminostat in non-small-cell lung cancer. Here, too, the most recent results from October 2014 have confirmed the safety and efficacy of resminostat in combination with the cancer drug docetaxel. The Phase II part investigating the efficacy of this combination therapy in comparison to the docetaxel monotherapy has now commenced.

To further pursue this successful course, 4SC drew down additional funds from its anchor investor in the third quarter, with Santo Holding releasing a second tranche totalling €2 million from the shareholder loan agreed in June 2014. Up to €6 million in funding remains available for subsequent quarters. We also drew down a second tranche of funding totalling €500 thousand (gross) from our convertible bond agreement with US investor Yorkville. We will make effective use of these resources to press forward with preparations for the planned clinical Phase II trial with resminostat in liver cancer.

Our research subsidiary 4SC Discovery GmbH also received funds for researching new epigenetic cancer drugs in the third quarter. Over the next 11 months, 4SC Discovery will work with collaboration partner CRELUX on the identification of inhibitors for bromodomain proteins. Specifically blocking these molecules aims to influence tumour in such a way that these are either identified and destroyed by the immune system or driven to programmed cell death (apoptosis). With the help of these promising therapeutic targets, we hope to secure opportunities for new drugs, also in the field of personalised medicine.

I regret to say that 4SC in the future will have to do without the services of its former Supervisory Board members Dr Thomas Werner and Klaus Kühn. Both have stepped down from their positions as members of the 4SC AG Supervisory Board effective 18 September 2014 for personal reasons. I wish to express my heartfelt thanks to Dr Werner and Mr Kühn for their long-standing service and dedication. We have continued the good and constructive collaboration with the Supervisory Board under its new Chairman Dr Clemens Doppler, who has been a long-standing member of the Supervisory Board. Furthermore, we have managed to identify some first-class candidates for filling the vacancies on our Supervisory Board, and we have proposed these candidates to the responsible Registration Court for appointment. At the end of October 2014, Joerg von Petrikowsky, a recognised financial expert, was appointed to the Supervisory Board as a new member. We look forward to the collaboration with Mr von Petrikowsky and we are confident that he will further strengthen 4SC given his many years of experience as an auditor and tax advisor for multinational life science and pharmaceutical companies and his industry network. We are also confident that we will soon be able to announce the appointment of the second candidate to complete the Supervisory Board.

Overall, the third quarter proceeded to our satisfaction. With resminostat, we registered encouraging clinical interim results in Asia. Despite this, we must continue to maintain our efforts in the months to come. Not least because we still face our greatest challenge and the one most crucial over the short to medium term, namely ensuring the further development of resminostat in our planned clinical Phase II trial for the indication of liver cancer in Western patient populations. We will make every effort to secure financing for the study so as to investigate the efficacy of this promising epigenetic compound as a new form of therapy to treat this particularly insidious indication whose prevalence is high throughout the world. This new approach in drug development is an important one. We want to take responsibility for winning the fight against this disease.

I wish to express my heartfelt thanks for the dedication and loyalty you have shown to 4SC so far, especially – in light of current share performance – during the more fraught periods for the Company and its shareholders, and I look forward to our continued cooperation.

Yours sincerely,

Planegg-Martinsried, November 2014

Enno Spillner
Chairman of the Management Board

INTERIM GROUP MANAGEMENT REPORT

1. BUSINESS PERFORMANCE

1.1 Economic Environment

Macroeconomic development

In its current October 2014 report, the International Monetary Fund (IMF) reduced its global growth estimate for 2014 as a whole as against July 2014 by another 0.1% to 3.3%. In the first half of 2014, global economic output fell below the IMF's expectations. According to IMF economists, the risk landscape also deteriorated due to the tense geopolitical situation and increasing financial market volatility.

In the medium term, the IMF expects worldwide economic prospects to improve again, however at very different growth rates in the various economies. The emerging markets and developing economies are now projected to grow by 4.4% (previously: 4.6%). In the United States, the estimate was revised upward raised to 2.2% expansion in 2014 (previously: 1.7%). As regards the euro zone, the IMF economists dropped their growth forecast to 0.8% (previously: 1.1%). This is mainly due to a significant reduction in the forecast for the German economy. It is now only expected to grow by 1.4% in the current year (previously: 1.9%), according to the IMF.

Developments in the biotech and pharmaceuticals sector

In the third quarter of 2014, the DAXsubsector Biotechnology (+5.9%) and NASDAQ Biotechnology (+6.4%) sector indices rose further. Large cap shares were the main driver of the recovery of the biotech sector indices from their correction in spring 2014.

The financing environment for biotech companies brightened again in the third quarter of 2014, particularly in the United States. Investors showed a great deal of interest in new issues there. As a result, the proceeds from initial public offerings in the USA during this period exceeded the $3 billion mark. However, it should be noted that nearly half of the proceeds generated are attributable to two large IPOs: Catalent Inc. and Luye Pharma Group Ltd. In total, there were 30 IPOs in the third quarter of 2014. In the first nine months, the number therefore rose to 89 IPOs with a total issuing volume of $6.9 billion. Follow-on financing arrangements in 116 transactions raised a further $8.3 billion on the capital market in the first nine months of 2014.

Financing conditions in Germany lag considerably behind those of the United States. For this reason, German companies in the industry are increasingly taking advantage of favourable financing terms in North America. In August 2014, Berlin-based MagForce AG announced the completion of a growth financing round by its subsidiary MagForce USA founded in July 2014, which generated total proceeds of $15 million. Heidelberg-based Affimed Therapeutics AG raised a total of $56 million through an initial public offering on the NASDAQ in September 2014.

In 4SC's industry environment, Novartis was among the companies with positive news to report regarding epigenetic HDAC inhibitors. The company announced in the second quarter of 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 cancer drugs bortezomib and dexamethasone. The Oncologic Drugs Advisory Committee of the FDA will decide on the matter on 6 November 2014. On 3 July 2014, the HDAC inhibitor belinostat was approved by the FDA for use in the United States 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. These positive announcements indicate that HDAC inhibitors are achieving development successes on the way to market approval in oncological indications.

1.2 4SC on the stock markets

In the first nine months of 2014, 4SC AG's shares lost 35.6% of their value, thus underperforming the DAXsubsector Biotechnology (+13.9%) and NASDAQ Biotechnology (+20.7%) benchmark indices. At the end of the third quarter, 4SC AG's shares closed at €1.03, putting the Company's market capitalisation at €52.3 million as at 30 September 2014.

After hitting a low of €0.93 at the end of June 2014, the share initially had a positive run in the third quarter of 2014. This development was driven by upbeat corporate news, good media coverage and a favourable capital market environment. At the end of July 2014, 4SC's shares reached €1.49, their high for the quarter. From mid-August onward, capital market participants were increasingly reticent about 4SC. Coupled with declining demand to buy, this caused the share price to drop to €1.03 by quarter-end.

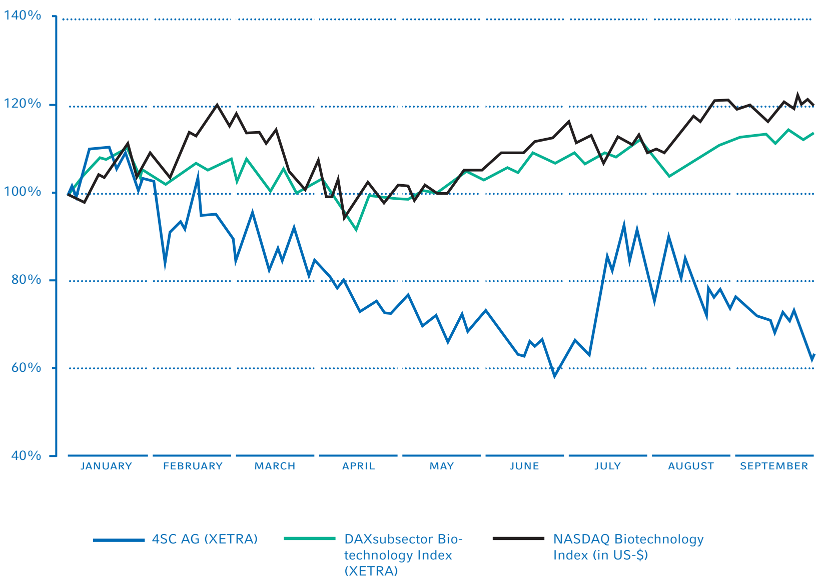
In the first quarter of 2014, 4SC signed an agreement with US investor YA Global Master SPV Ltd. (Yorkville) in which the financing partner agreed to underwrite convertible notes in an amount of up to €15 million until the end of 2016. 4SC issued an initial tranche of convertible bonds in February 2014, generating a nominal financing amounting to €500 thousand. After converting the convertible notes into a total of 36,840 4SC shares in the first quarter and into a further 174,002 shares in the second quarter, additional notes were converted into a total of 216,550 shares in the third quarter, thus completing the conversion into shares of the entire first tranche issued. As a result, the total number of shares as at 30 September 2014 increased to 50,799,206 (31 December 2013: 50,371,814).

The liquidity of the 4SC share showed a positive development in the first nine months of 2014. The average daily trading volume on all German exchanges, including Tradegate, during this period totalled 93,044 shares, compared to 36,582 shares in the first nine months of 2013. At 126,737 shares, the average daily trading volume in the third quarter of 2014 was significantly higher than in previous quarters and the 2013 financial year (37,115 shares on average).

// KEY FIGURES OF THE 4SC SHARE

	Q3 2014	Q3 2013	9M 2014	9M 2013
Number of shares issued (average, in 000's)	50,799	50,372	50,579	50,372
Free float (%)	35.2	30.3	35.2	30.3
3- resp. 9-month high (XETRA) (€)	1.49	1.94	1.79	2.20
3- resp. 9-month low (XETRA) (€)	0.98	1.58	0.93	1.58
Price at beginning of the period (XETRA) (€)	0.98	1.66	1.60	2.09
Price at end of the period (XETRA) (€)	1.03	1.94	1.03	1.94
Market capitalisation at end of the period (€ 000's)	52,323	97,721	52,323	97,721
Average daily trading volume (all markets incl. Tradegate) (shares)	126,737	27,442	93,044	36,582

// SHARE PRICE (in % indexed on 4SC AG, 01.01.2014 - 30.09.2014)



1.3 Business review for the reporting period

The 4SC Group continued its development in the third quarter of 2014. In the Group segments ("Development" and "Discovery & Collaborative Business"), the Company further pursued its research and development activities. Some key events also occurred at the Group level.

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 third quarter of 2014 were resminostat, 4SC-202, 4SC-205 and vidofludimus.

ONCOLOGY

Resminostat

The HDAC inhibitor resminostat is the most advanced compound in 4SC's product pipeline. Due to its special epigenetic mechanism of action, resminostat is expected to show its full therapeutic potential especially when combined with conventional cancer drugs. To date, resminostat has been examined – by 4SC in Europe and its 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 this context, resminostat has primarily been deployed in combination therapy with conventional cancer drugs (with sorafenib in HCC, with FOLFIRI in CRC, with docetaxel in NSCLC). In line with the Company's re-focusing strategy adopted in 2013, 4SC is currently prioritising the planned development of resminostat in combination with sorafenib in the indication of advanced liver cancer.

Further preparations for the planned clinical Phase II trial

In the completed Phase IIa SHELTER study, in combination with the cancer drug sorafenib as a second-line therapy for patients with advanced liver cancer (HCC), resminostat has delivered positive results, which were themselves subsequently supplemented with promising data concerning the ZFP64 biomarker. Building on these results, 4SC plans to develop resminostat towards market approval as a first-line therapy for HCC in combination with sorafenib. As the next step in this process, 4SC is pursuing the execution of a double-blind, randomised controlled clinical Phase II trial. In this trial, resminostat is to be tested in combination with sorafenib as a first-line therapy for patients with advanced liver cancer (HCC) in comparison with the current HCC standard treatment, namely monotherapy with sorafenib. The aim is to show the superiority of the combination therapy under controlled study conditions. The above study also aims to further qualify the potential predictive biomarker ZFP64. The data generated in this Phase II trial will then be used as the basis for a potential Phase III registration trial in this indication.

Operational preparations continued for the planned Phase II trial in the third quarter. The study protocol drawn up with a contract research organisation (CRO) in the previous quarter was optimised and enhanced both internally and with external experts. 4SC also improved the production process during the reporting period. Financing for the planned Phase II trial is still outstanding. In this area, the Company is currently talking to potential partners and investors to sound out potential financing options.

Yakult Honsha Co., Ltd. actively pursuing development of resminostat in Asia

4SC's Japanese development partner Yakult Honsha Co., Ltd. is currently investigating resminostat in two clinical Phase I/II trials in the indications of liver cancer (HCC) and non-small-cell lung cancer (NSCLC), in each case as a combination therapy with standard cancer drugs (sorafenib in HCC, docetaxel in NSCLC). In the third quarter, 4SC reported that Yakult Honsha Co., Ltd. had successfully completed the Phase I part of its multi-centre Phase I/II trial with resminostat in Asian patients with advanced liver cancer (HCC). These results confirmed the safety and good tolerability of resminostat in combination with the cancer drug sorafenib using the planned dosage regime in Asian patients. The randomised Phase II part of the study, which is already underway, will focus on investigating the efficacy of the resminostat-sorafenib combination in comparison to the current HCC standard of care – sorafenib monotherapy – in up to 140 patients. The study will also be evaluating the ZFP64 biomarker.

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. 4SC-202 has an individual biological and therapeutic profile that is radically different to that of resminostat.

In the previous quarter, 4SC had published highly positive initial data from 4SC-202's clinical Phase I TOPAS trial in 24 patients with advanced haematological tumours at the ASCO Annual Meeting in Chicago. 4SC-202 proved to be safe and well-tolerated by patients, and demonstrated promising indications of anti-tumour efficacy. One patient continues to be treated with 4SC-202: he has participated in the study for 23 months and has responded to the treatment with a complete remission of the tumorous lesions that persists to this day. On the strength of the positive trial results, 4SC commenced initial negotiations with potential partners in the third quarter for possible clinical development of 4SC-202.

4SC-205

4SC-205, an oral Eg5 kinesin inhibitor designed to block tumour cell division, is the third anti-cancer compound in the Company's clinical development portfolio. This compound has now entered the last study phase of the Phase I AEGIS trial, where it is being intensively trialled in patients with a specific disease condition (lung tumour/metastases). Patient recruitment was completed successfully in the reporting quarter and completion of the study is expected in the near future.

AUTOIMMUNE DISEASES

Vidofludimus

Vidofludimus is the Company’s lead compound in the field of autoimmune diseases. It had 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. However, 4SC intends to find external partners and investors in order to facilitate the further clinical development of this compound in the Crohn's disease indication.

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 A/S.

Along with its strategic partner CRELUX GmbH, Martinsried, 4SC Discovery GmbH received subsidies for researching new epigenetic anti-cancer drugs during the reporting quarter. Scheduled for an initial 11-month run, this project is receiving funding under the Munich m^4 leading-edge biotech cluster programme. It aims to use the i2c joint research platform of CRELUX GmbH and 4SC Discovery GmbH to identify bromodomain inhibitors and investigate their potential future use in personalised medicine. Bromodomain proteins are considered promising targets for new drugs. Their specific blocking aims to influence tumour cells in such a way that these are either identified and destroyed by the immune system or driven to programmed cell death (apoptosis).

1.3.3 Significant events at Group level

In August 2014, 4SC AG Supervisory Board members Dr Thomas Werner and Klaus Kühn both stepped down from their positions for personal reasons with effect from 18 September 2014. Dr Werner had been a member of 4SC's Supervisory Board since June 2009, serving as its Chairman since June 2012. Mr Kühn had been a member of the Company's Supervisory Board since August 2012. The current Supervisory Board remains fully quorate. At its meeting on 18 September 2014, this Supervisory Board elected Dr Clemens Doppler as its new Chairman and Dr Manfred Rüdiger as its new Deputy Chairman. The Company was already able to find qualified candidates for the vacant Supervisory Board positions and proposed them to the responsible Registration Court for appointment.

In the reporting quarter, the Company drew down a second tranche totalling €2 million from the loan agreement signed in June 2014 with 4SC principal shareholder Santo Holding (Deutschland) GmbH. In addition, a second tranche of the agreement signed with US investor Yorkville in the first quarter of 2014 was issued as a convertible bond in the nominal amount of €500 thousand. The proceeds from these two funding measures serve to finance 4SC in the short and medium term and to carry out the operational preparations for the further clinical development of resminostat in the indication of liver cancer.

1.3.4 Staff

As at 30 September 2014, the 4SC Group employed a total of 65 members of staff (including the Management Board of 4SC AG and the executive management of 4SC Discovery GmbH) (31 December 2013: 73). Of this total, 39 worked in the Development segment (4SC AG) at the end of the third quarter, with the remaining 26 working in the Discovery & Collaborative Business segment (4SC Discovery GmbH).

On average, the 4SC Group employed a workforce of 65 in the first nine months of 2014 (9M 2013: 83). The Company had a total of 55 full-time equivalents (FTEs) as at 30 September 2014 (31 December 2013: 56), taking part-time employees and employees on parental leave into account. As at the end of the first nine months of 2014, 76% of these FTEs (31 December 2013: 72%) worked in Research and Development, with the remaining 24% (31 December 2013: 28%) working in Sales and Administration.

2. RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSET

The 4SC Group, comprising 4SC AG and its wholly-owned subsidiary 4SC Discovery GmbH, reports consolidated figures for both the first nine months of the 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 third quarter of 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

Consolidated revenue was up again in the third quarter, increasing to €2,202 thousand (Q3 2013: €1,766 thousand). In the first nine months of the year, consolidated revenue thus rose by 66% year-on-year to €6,177 thousand (Q3 2013: €3,724 thousand). This primarily comprises revenue generated under the cooperation agreements with BioNTech AG and LEO Pharma A/S, Denmark. 4SC also generated revenue of €3,552 thousand in the reporting period with its partner Yakult Honsha Co., Ltd (9M 2013: €1,376 thousand). This includes a contractually agreed milestone payment, the recognition of deferred income and allocations to Yakult Honsha Co., Ltd. of the costs to produce the resminostat compound.

The Development segment saw revenue jump considerably by 75% to €1,625 thousand in the reporting quarter (Q3 2013: €926 thousand). As a result, total revenue rose by an encouraging 158% to €3,552 thousand (9M 2013: €1,376 thousand). In the Discovery & Collaborative Business segment, revenue growth was also positive: at €840 thousand this figure did not change compared with the prior-year quarter (Q3 2013: €840 thousand), and at €2,625 thousand revenue showed a 12% increase in the first nine months (9M 2013: €2,348 thousand). Further information regarding segment results can be found in chapter 2 of the consolidated notes.

Operating expenses

Operating expenses, comprising the cost of sales, distribution costs, research and development costs and administration costs, stood at €4,558 thousand in the third quarter of 2014, an increase of 18% on the prior-year figure (Q3 2013: €3,869 thousand). At €12,412 thousand, the figure for the first nine months was up 3% year-on-year (9M 2013: €11,993 thousand).

The Development segment accounted for €10,101 thousand (9M 2013: €9,650 thousand) of operating expenses in the first nine months, while the Discovery & Collaborative Business segment incurred €3,265 thousand (9M 2013: €3,358 thousand) and the consolidation accounted for €-954 thousand (9M 2013: €-1,015 thousand).

Research and development costs incurred in connection with drug development continued to make up the majority of expenses. In the first nine months of the year, they fell 25% year-on-year to €5,957 thousand (9M 2013: €7,934 thousand).

The sharp increase in the cost of sales to €1,613 thousand in the reporting quarter (Q3 2013: €427 thousand) and to €3,746 thousand in the first nine months (9M 2013: €1,066 thousand) is attributable firstly to the research partnerships of 4SC Discovery GmbH with BioNTech AG and LEO Pharma A/S, Denmark. However, this item also includes the cost of sales incurred to produce the medication for clinical trials of resminostat in Japan, expenses which were charged on to Yakult Honsha Co., Ltd. The cost of sales is also the main reason for the rise in cumulative operating expenses.

Distribution costs, which consist of the costs incurred by the Business Development and PR & Marketing units, increased by 181% year-on-year to €177 thousand (Q3 2013: €63 thousand) and by 42% to €566 thousand in a nine-month comparison (9M 2013: €400 thousand) due to higher consulting costs in Business Development.

Administrative costs grew to €673 thousand in the reporting quarter (Q3 2013: €591 thousand), although the prior-year figures include a one-off positive extraordinary effect of €72 thousand from the reversal of prepaid staff costs in conjunction with the personnel adjustments implemented in 2013.

Adjusted for this effect, administrative expenses were only up by €10 thousand or 2%. For the first nine months of 2014, the administrative costs amounting to €2,143 thousand therefore fell 17% below the prior-year figure (9M 2013: €2,593 thousand).

Operating profit/loss

Despite an increase in revenue, the Company's loss from operating activities increased by 12% in the third quarter for reasons including expenses associated with the development of resminostat. On the whole, however, this figure improved by 25% over the first nine months. The operating loss posted for July to September 2014 thus amounted to €2,335 thousand (Q3 2013: €2,083 thousand), while the operating loss for January to September 2014 amounted to €6,205 thousand (9M 2013: €8,248 thousand).

Net finance income/loss

The net finance income at associated company quattro research GmbH improved by a total of €61 thousand or 191% to €29 thousand (Q3 2013: €-32 thousand) The share in the profit/loss of the associate was €46 thousand in the first nine months of 2014, following €18 thousand in the previous year. Interest income was down considerably due to lower interest rates in conjunction with a conservative investment strategy and a smaller volume of funds invested (9M 2014: €5 thousand after 9M 2013: €52 thousand). Interest expense rose considerably to €84 thousand (9M 2013: €8 thousand) during this period. Interest expense was incurred primarily in connection with the convertible note agreement signed with Yorkville and the draw-down of tranches on the loan from Santo Holding (Deutschland) GmbH. A net finance income of €1 thousand was posted in the third quarter of 2014 (Q3 2013: net finance loss of €28 thousand). For the nine-month period, net finance income declined to €-33 thousand (9M 2013: €62 thousand).

Taxes

In the first nine months of 2014, 4SC reported tax expense of €70 thousand (9M 2013: €0 thousand).

Consolidated net loss

The net loss for the period increased by 11% year on year to €2,334 thousand in the third quarter (9M 2013: €2,111 thousand), while the net loss for the first nine months decreased by 23% to €6,308 thousand (9M 2013: €8,186 thousand). Further information regarding segment results can be found in the consolidated notes.

Earnings per share

Due to the slightly increased loss for the period, the loss per share climbed to €0.05 in the third quarter of 2014 (Q3 2013: €-0.04). Cumulatively, however, the loss per share declined to €0.12 in the first nine months of 2014 (9M 2013: €-0.16).

2.2 Net assets

Non-current assets

Non-current assets amounted to €10,894 thousand as at 30 September 2014 (31 December 2013: €11,591 thousand. This decrease compared with 31 December 2013 is mainly due to depreciation and amortisation. Intangible assets remained the largest item of non-current assets in the statement of financial position, amounting to €10,038 thousand (31 December 2013: €10,651 thousand).

Current assets

Current financial assets totalled €6,070 thousand as at the reporting date, decreasing slightly by €44 thousand as against the end of the prior year (31 December 2013: €6,114 thousand). Funds (comprising cash and cash equivalents and other financial assets) changed only slightly on account of the outflow of funds associated with the operating loss and offsetting financing measures. Trade accounts receivable increased to €1,758 thousand (31 December 2013: €346 thousand). They are mainly attributable to the cooperation with Yakult Honsha Co., Ltd. Other current assets amounted to €904 thousand as at 30 September 2014 (31 December 2013: €773 thousand).

Equity

The decline in equity from €11,282 thousand as at 31 December 2013 to €5,413 thousand as at 30 September 2014 was driven primarily by the loss for the period of €6,308 thousand, lifting the accumulated deficit accordingly, from €119,260 thousand to €125,568 thousand. The increase in debt due to the shareholder loan from Santo Holding (Deutschland) GmbH lowered the equity ratio by approximately 32 percentage points, from 63.7% as at 31 December 2013 to 31.9% as at 30 September 2014.

Non-current liabilities

Non-current liabilities were up 128% compared with the 2013 reporting date (31 December 2013: €2,836 thousand) to €6,460 thousand as at 30 September 2014. The majority of the increase was attributable to liabilities to shareholders in the amount of €4,045 thousand (31 December 2013: €0 thousand). In June 2014, 4SC's majority shareholder Santo Holding (Deutschland) GmbH extended a loan of up to €10 million to the Company, two tranches of which totalling €4,000 thousand were drawn down by 30 September 2014. The other non-current liabilities continue to consist largely of deferred income in connection with the partnership with Yakult Honsha Co., Ltd., Japan, amounting to €2,011 thousand as at 30 September 2014 (31 December 2013: €2,682 thousand).

Current liabilities

Current liabilities rose by 42% to €5,091 thousand compared with the 2013 reporting date (31 December 2013: € 3,587 thousand). This item includes trade accounts payable of €2,225 thousand (31 December 2013: €675 thousand) arising in particular from the production of the resminostat compound for Yakult Honsha Co., Ltd., Japan. Deferred income fell to €894 thousand (31 December 2013: €1,561 thousand). At the reporting date, there were also liabilities of €360 thousand for convertible notes issued to Yorkville (31 December 2013: €0 thousand).

Total assets/Total equity and liabilities

Total assets/total equity and liabilities as at 30 September 2014 were down 4% to €16,964 thousand (31 December 2013: €17,705 thousand). This 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 nine months of 2014 amounted to €-6,248 thousand and thus correspond to the operating loss for this period of €6,205 thousand. In the comparative 2013 period, a pre-tax loss of €8,186 thousand resulted in cash outflows in the amount of €5,221 thousand.

Cash flows from investing activities

The cash inflows from investing activities in the first nine months of 2014 amounted to €918 thousand, compared with €4,893 thousand in the same period of 2013. In the reporting period and in the previous year, only small investments were made in fixed assets (9M 2014: €82 thousand; 9M 2013: €90 thousand). In the reporting period, the sale of financial investments resulted in cash inflows of €1,000 thousand, compared with cash inflows of €4,983 thousand in the same period of 2013.

Cash flows from financing activities

Cash flows from financing activities in the first nine months of 2014 of €4,797 thousand result in particular from the draw-down of two tranches totalling €4,000 thousand of the shareholder loan from Santo Holding (Deutschland) GmbH (plus interest of €45 thousand) as well as from the issue of convertible notes to Yorkville. Since no capital measures were executed in the first nine months of the previous year, no cash flows from financing activities were generated.

Funds

Cash and cash equivalents amounted to €3,366 thousand at the end of the reporting period (31 December 2013: €3,899 thousand). This results in an average monthly outflow of cash from operations amounting to €716 thousand in the first nine months of 2014 (9M 2013: €590 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 and the conversion of convertible bonds issued to Yorkville might be ruled out in the event that the share price drops to €1.00 or below (as it was temporarily the case in the reporting period), 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 results of operations, financial position and net assets of 4SC AG.

There is an additional risk of a sustained delay in the further clinical development of resminostat and/or other clinical products by 4SC AG if financing is insufficient for 4SC's own upcoming clinical trials. This type of delay could result in important new clinical data failing to be generated on time or at all and thus delaying or hindering licensing and/or approval of the products.

In the case of marked deviations from agreed financial planning, this could cause delays in and/or denial of disbursement of additional tranches of the shareholder loan from Santo Holding (Deutschland) GmbH. The occurrence of risks alone or in conjunction with each other could have a negative impact on the results of operations, financial position and net assets of 4SC AG.

4. REPORT ON POST-BALANCE SHEET DATE EVENTS

In early October 2014, 4SC announced that its Japanese development and marketing partner for resminostat, Yakult Honsha Co., Ltd., had successfully completed the Phase I part of its ongoing Phase I/II trial with resminostat in the indication of non-small-cell lung cancer (NSCLC). This study investigates the safety and efficacy of resminostat in combination with the cancer drug docetaxel as a potential new second- or third-line therapy. The Phase I part of the study, which is now complete, confirmed the safety and tolerability of the resminostat-docetaxel combination. The Phase II part, which is already underway, will compare the efficacy of the combination therapy to monotherapy with docetaxel in up to 100 Asian NSCLC patients.

In October 2014, the patent for the resminostat manufacturing process was granted in the USA. Overall, this means the resminostat manufacturing process is protected until 2029 in almost all key markets around the world, including Europe, Japan, China, Russia, Hong Kong, Singapore and Australia - and now the USA. 4SC believes this development adds another important element to the patent portfolio of the Company's lead compound, following the completion of composition-of-matter patent protection for resminostat in almost all of the world's key markets back in 2013.

At the end of October 2014, Joerg von Petrikowsky, an auditor and tax adviser, was appointed as a new member to the Supervisory Board of 4SC by the responsible Registration Court. Mr von Petrikowsky has more than 30 years of experience as an auditor, especially in auditing and advising multinational life science and pharmaceutical companies.

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

For the fourth quarter of this year, industry analysts BioCentury anticipate ample news from the biotech sector, only some of which will be trend-setting for the further development of the industry. Instead, investors are already looking ahead to 2015. The industry is well financed on the whole, and the pipeline for the approval of new drugs is well filled. The primary risks to the industry's performance are rising prices and interest rates. After a positive stock market trend in the first nine months of 2014 driven especially by large caps, investors will increasingly attempt to improve their performance by acquiring the shares of smaller and mid-size biotechnology companies.

The market environment continues to be positive for US biotech stocks. After 89 IPOs in the first three quarters of 2014, an additional 39 companies have announced plans for IPOs in the United States.

According to estimates by the industry association BIO Deutschland, the financing environment differs greatly for German biotech firms compared with those headquartered in the USA. On the whole, Independent Research indicates that the German biotech industry is in a stagnation phase thought to be caused by the still-difficult financing environment. German biotech companies therefore continue to seek financing opportunities abroad. For instance, Probiodrug AG, which is headquartered in Halle/Saale, announced its intention to go public on Amsterdam's Euronext exchange and successfully completed this IPO in late October 2014 with gross funding proceeds of €22.5 million.

Forecast for the Company

The 4SC Group remains committed to pursuing its re-focused research and development strategy. This strategy concentrates on developing those projects that offer the greatest potential to increase value. The focus is on the development of the anti-cancer compound resminostat for advanced liver cancer (HCC). As a next step on the path to the ultimate goal of market approval, 4SC is pursuing the completion of a double-blind, randomised controlled Phase II trial in this indication. In this trial, resminostat is to be tested in combination with sorafenib as a first-line therapy for patients with advanced liver cancer (HCC) in comparison with the current HCC standard treatment, namely monotherapy with sorafenib. The trial will also further qualify the potential predictive biomarker ZFP64. A successful study outcome could then result in licensing to a pharmaceutical company, as well as a Phase III registration trial in the indication of HCC.

The Company will continue to make preparations for this study. These preparations include the further optimisation of the study protocol, the production of the resminostat trial medication and the preparation of the regulatory documentation as required by the US and EU regulators when submitting an application to commence the study.

4SC will not start the study until long-term financing has been secured. The Company is currently talking to potential partners and/or investors, so as to investigate potential options for trial financing. As things currently stand, 4SC expects to be able to start the study in 2015, always assuming that financing can be secured in good time.

In June 2014, 4SC announced positive initial results for its second epigenetic compound 4SC-202 from the Phase I TOPAS trial in patients with haematological tumours. Following this announcement, the Company is now processing the data for the final study report, which is expected to be published next year. One patient, who has responded to the therapy with complete remission, is still receiving treatment as part of the study. 4SC is evaluating various options for the further clinical development of 4SC-202 and has initiated negotiations with potential partners to this end.

4SC-205, the Company's third anti-cancer compound, is being investigated in the Phase I AEGIS study. Following successful completion of patient recruitment in the reporting quarter, the last patients are now being treated as part of the study. 4SC currently expects to announce initial results from the study in the fourth quarter of 2014.

As regards vidofludimus, the Company's lead compound for autoimmune diseases, 4SC's aim remains to acquire project financiers and industry partners. Their support will be used to implement and finance the further external development of this drug candidate.

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 is intended to generate 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

4SC had funds of €3,366 thousand at the end of the third quarter of 2014. In view of short- and medium-term revenue and expense planning and utilisation of the existing convertible note agreement with Yorkville as well as the further opportunity to draw down tranches from the loan agreement with Santo Holding (Deutschland) GmbH, 4SC continues to believe that these funds are sufficient to finance the Company's operations until approximately the end of 2015.

The expected average operating cash burn rate for 2014 as a whole increased measurably from the originally planned rate. On the expense side, this was due to the increased length of the clinical studies with the 4SC-202 and 4SC-205 drug candidates over the original estimates and the additional development costs for resminostat incurred during preparations for the planned Phase II trial. On the revenue side, the incoming payments the Company originally assumed would be received by 4SC Discovery GmbH in 2014 are now anticipated to be delayed until next year. For this reason, the Company forecasts a cash burn rate for the coming year that is significantly lower than originally planned. 4SC expects an average monthly operating cash burn rate of between €700 thousand and €900 thousand for 2014.

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 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 a 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 continued positive business development to date, 4SC Discovery GmbH could still achieve break-even for operating cash flow in 2014 despite the shifts in revenue planning.

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, the progress on the development of resminostat by 4SC's Japanese partner Yakult Honsha Co., Ltd. as well as the strengths in the area of early-stage research that are consolidated in 4SC Discovery GmbH and its collaborative business. In addition, the Company considers the latest clinical development successes with HDAC inhibitors in other cancer indications to be a positive sign of the further development opportunities for resminostat.

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, 3 November 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 30 September 2014 (unaudited)

// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in € 000's

	Q3 2014	Q3 2013	9M 2014	9M 2013
Revenue	2,202	1,766	6,177	3,724
Cost of sales	-1,613	-427	-3,746	-1,066
Gross profit	**589**	**1,339**	**2,431**	**2,658**
Distribution costs	-177	-63	-566	-400
Research and development costs	-2,095	-2,788	-5,957	-7,934
Administrative costs	-673	-591	-2,143	-2,593
Other income	21	20	30	21
Operating profit/loss	**-2,335**	**-2,083**	**-6,205**	**-8,248**
Net finance income/loss				
Share in the profit of equity-accounted investees	29	-32	46	18
Finance income	2	8	5	52
Finance costs	-30	-4	-84	-8
Net finance income/loss	**1**	**-28**	**-33**	**62**
Earnings before taxes	**-2,334**	**-2,111**	**-6,238**	**-8,186**
Income tax	0	0	-70	0
Net profit/loss for the period = Consolidated comprehensive income/loss	**-2,334**	**-2,111**	**-6,308**	**-8,186**
Earnings per share (basic and diluted; in €)	-0.05	-0.04	-0.12	-0.16

// CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

in € 000's

	30.09.2014	31.12.2013
Non-current assets		
Intangible assets	10,038	10,651
Property, plant and equipment	472	602
Investments accounted for using the equity method	227	181
Other assets	157	157
Total non-current assets	**10,894**	**11,591**
Current assets		
Inventories	25	23
Trade accounts receivable	1,758	346
Receivables from investees	0	0
Other financial assets	0	1,000
Cash and cash equivalents	3,366	3,899
Current income tax assets	17	73
Other assets	904	773
Total current assets	**6,070**	**6,114**
Total equity and liabilities	**16,964**	**17,705**

// CONSOLIDATED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

in € 000's

	30.09.2014	31.12.2013
Equity		
Subscribed capital	50,799	50,372
Share premium	78,365	78,355
Reserves	1,817	1,815
Accumulated deficit	-125,568	-119,260
Total equity	**5,413**	**11,282**
Non-current liabilities		
Liabilities to shareholders	4,045	0
Deferred income	2,011	2,682
Other liabilities	404	154
Total non-current liabilities	**6,460**	**2,836**
Current liabilities		
Trade accounts payable	2,225	675
Accounts payable to associates	0	28
Convertible bond issued	360	0
Deferred income	894	1,561
Other liabilities	1,612	1,323
Total current liabilities	**5,091**	**3,587**
Total equity and liabilities	**16,964**	**17,705**

// CONSOLIDATED STATEMENT OF CASH FLOWS

in € 000's

	9M 2014	9M 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Earnings before taxes	-6,238	-8,186
Adjustment for statement of comprehensive income items		
Depreciation and amortisation	825	880
Net finance income/loss	33	-62
Stock options	2	42
Other non-cash items	-33	689
Changes in statement of financial position items		
Inventories	-2	-1
Trade accounts receivable	-1,412	2,464
Receivables from associates	0	0
Current income tax assets	56	57
Other assets	-131	-171
Trade accounts payable	1,550	-290
Accounts payable to associates	-28	-10
Deferred income	-1,100	-73
Other liabilities	301	-621
Interest received	3	68
Interest paid	-4	-7
Income taxes paid	-70	0
CASH FLOWS FROM OPERATING ACTIVITIES	**-6,248**	**-5,221**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	-3	-20
Purchase of property, plant and equipment	-79	-70
Proceeds from sales of property, plant and equipment	0	8
Acquisition of equity interests		-8
Purchase of financial investments	0	-1,000
Sale of financial investments	1,000	5,983
CASH FLOWS FROM INVESTING ACTIVITIES	**918**	**4,893**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to subscribed capital	427	0
Payments to share premium	10	0
Cash received (paid) from the issuance of convertible bonds	360	0
Payment of shareholder loans	4,000	0
CASH FLOWS FROM FINANCING ACTIVITIES	**4,797**	**0**
NET CHANGE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS	**-533**	**-328**
+ Cash and cash equivalents at the beginning of the period	3,899	6,076
= CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**3,366**	**5,748**

// CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in €000's

	Subscribed capital	Share premium	Reserves: Reserves Stock options	Reserves: 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)			38			38
Options issued (ESOP 2009/2010)			1			1
Options issued (ESOP 2009/2011)			3			3
Comprehensive income/loss 01.01.-30.09.2013					-8,186	-8,186
Profit/loss for the period 01.01.-30.09.2013					*-8,186*	*-8,186*
Balance on 30.09.2013	**50,372**	**78,414**	**1,737**	**67**	**-116,921**	**13,669**
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)			1			1
Options issued (ESOP 2009/2011)			1			1
Capital increase from the conversion	427	10				437
of convertible bonds						
Comprehensive income/loss 01.01.-30.09.2014					-6,308	-6,308
Net profit/loss for the period 01.01.-30.09.2014					*-6,308*	*-6,308*
Balance on 30.09.2014	**50,799**	**78,365**	**1,750**	**67**	**-125,568**	**5,413**

SELECTED CONSOLIDATED NOTES OF 4SC

to the consolidated interim report as at 30 September 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 30 September 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 consolidated interim report was approved for publication by the Management Board on 3 November 2014. The discussion of the interim report by the Supervisory Board and the Management Board in line with the German Corporate Governance Code (as amended on 24 June 2014) was held via teleconference on 23 October 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 September 2014, it comprises the development programmes for resminostat, 4SC-202 and 4SC-205 as well as vidofludimus.

Discovery & Collaborative Business

The Discovery & Collaborative Business segment comprises the activities collectively handled by 4SC Discovery GmbH as at the end of the quarter (30 September 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	
	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013	9M 2014	9M 2013
Statement of comprehensive income										
Revenue (total)	**3,552**	**1,376**	**2,625**	**2,348**	**0**	**0**	**0**	**0**	**6,177**	**3,724**
External revenue	3,552	1,376	2,625	2,348	0	0	0	0	6,177	3,724
Intersegment revenue	0	0	0	0	0	0	0	0	0	0
Other income	**847**	**952**	**137**	**84**	**0**	**0**	**-954**	**-1,015**	**30**	**21**
Operating expenses	**-10,101**	**-9,650**	**-3,265**	**-3,358**	**0**	**0**	**954**	**1,015**	**-12,412**	**-11,993**
of which research and development costs	-5,169	-6,688	-1,423	-1,908	0	0	635	662	-5,957	-7,934
of which cost of sales, distribution costs and administrative costs	-4,932	-2,962	-1,842	-1,450	0	0	319	353	-6,455	-4,059
Segment result	**-5,702**	**-7,322**	**-503**	**-926**	**0**	**0**	**0**	**0**	**-6,205**	**-8,248**
Net finance income/loss	**-2**	**-5**	**-2**	**0**	**-29**	**67**	**0**	**0**	**-33**	**62**
Earnings before taxes	**-5,704**	**-7,327**	**-505**	**-926**	**-29**	**67**	**0**	**0**	**-6,238**	**-8,186**
Income tax expense	-70	0	0	0	**0**	0	0	0	-70	0
Net profit/loss for the year	**-5,774**	**-7,327**	**-505**	**-926**	**-29**	**67**	**0**	**0**	**-6,308**	**-8,186**
Item of the statement of financial position & fixed assets										
Non-current assets	10,139	11,003	371	515	384	328	0	0	10,894	11,846
Current assets	1,636	245	618	748	3,816	7,090	0	0	6,070	8,083
Total segment assets	**11,775**	**11,248**	**989**	**1,263**	**4,200**	**7,418**	**0**	**0**	**16,964**	**19,929**
Equity	0	0	0	0	5,413	13,669	0	0	5,413	13,669
Non-current liabilities	2,415	3,050	0	12	4,045	0	0	0	6,460	3,062
Current liabilities	4,285	2,174	440	1,022	366	0	0	0	5,091	3,198
Total segment liabilities	**6,700**	**5,224**	**440**	**1,034**	**9,824**	**13,671**	**0**	**0**	**16,964**	**19,929**
Capital expenditure	28	28	54	62	0	0	0	0	82	90
Depreciation and amortisation	674	742	151	138	0	0	0	0	825	880

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

in € 000's

	9M 2014	9M 2013
Germany	1,302	1,108
Europe (excluding Germany)	1,323	1,240
Asia	3,552	1,376
Revenue	**6,177**	**3,724**

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).

	Q3 2014	Q3 2013	9M 2014	9M 2013
Based on net profit/loss for the period (in € 000's)	-2,334	-2,111	-6,308	-8,186
Based on average number of shares (in thsd.)	50,799	50,372	50,579	50,372
Earnings per share (basic and diluted, in €)	**-0.05**	**-0.04**	**-0.12**	**-0.16**

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 September 2014. Taken together, these items comprise the cash balance/funds:

in € 000's	30.09.2014	31.12.2013	30.09.2013
Cash and cash equivalents at the end of the period	3,366	3,899	5,748
Other financial assets	0	1,000	1,002
Cash balance/funds	**3,366**	**4,899**	**6,750**

5. SHAREHOLDINGS AND DIRECTORS' DEALINGS

In the third 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 30 September 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 30.09.2014
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 Clemens Doppler	18,593	0	0	18,593
Dr Manfred Rüdiger	5,000	2,500	0	7,500
Shares held by the Supervisory Board	**23,593**	**2,500**	**0**	**26,093**

Number of stock options	Options 01.01.2014	Additions	Expired	Exercised	Options = maximum number of shares 30.09.2014
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

There were no significant changes regarding related party transactions in the third quarter compared to the disclosures made in the annual report as at 31 December 2013 and the consolidated interim report as at 30 June 2014.

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, "Report on post-balance sheet events". In this section, the direct, effects on the Group's results of operations, financial position and net assets are explained.

FINANCIAL CALENDAR

// FINANCIAL CALENDAR 2014

Analyst conference: German Equity Forum, Frankfurt	25 November 2014

PUBLISHING INFORMATION

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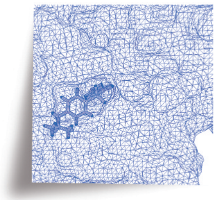

The cover picture shows the cancer compound resminostat binding to the HDAC target molecule. In 2013, 4SC resolved to focus on its main value drivers. Activities will concentrate on the development of resminostat in the liver cancer indication.

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