# START-UP
# PARTNERSHIPS
# NEW DRUGS
# GOING PUBLIC
# INVESTORS
# FOCUS ON
# VALUE DRIVERS

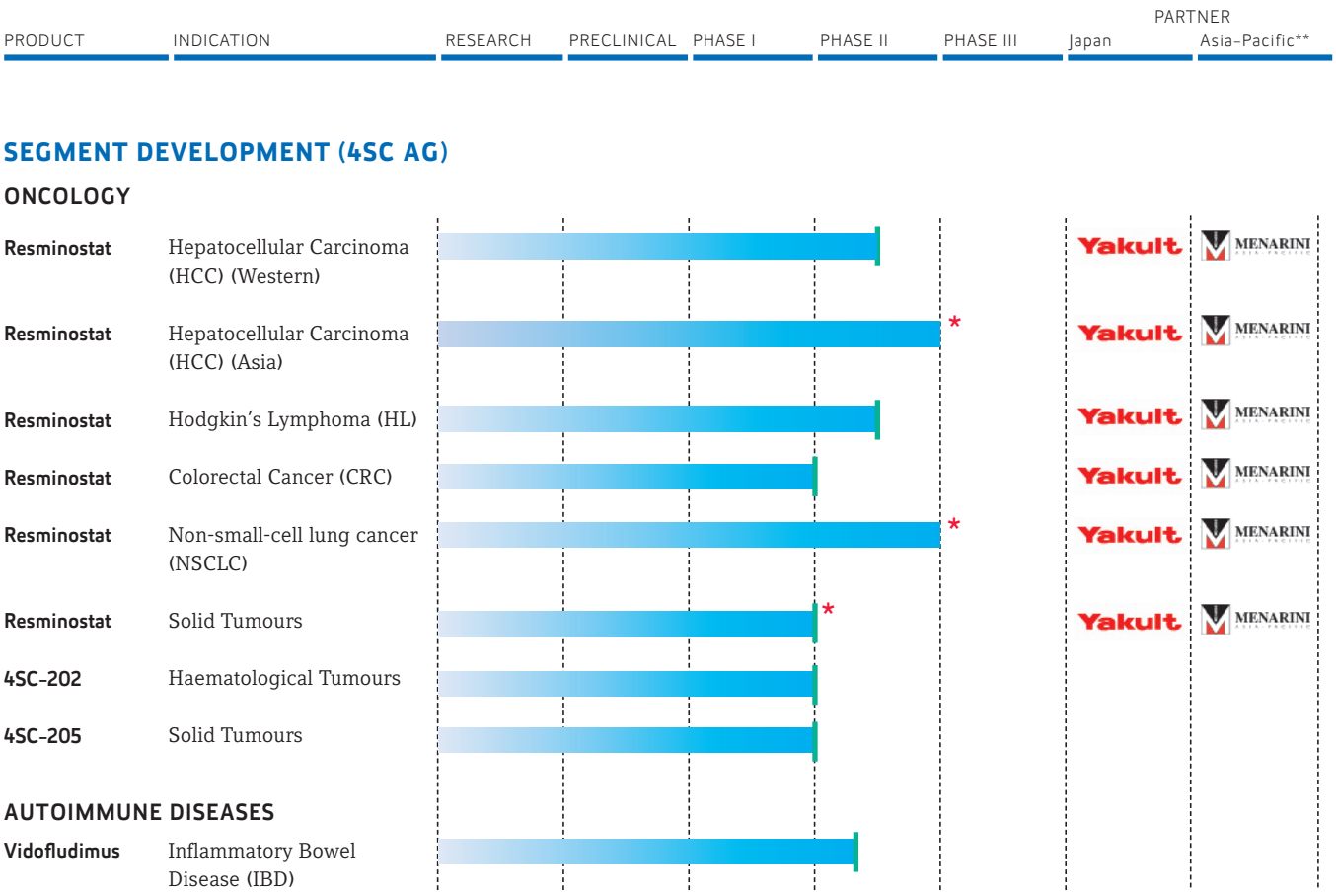
CONSOLIDATED 3-MONTH
FINANCIAL REPORT

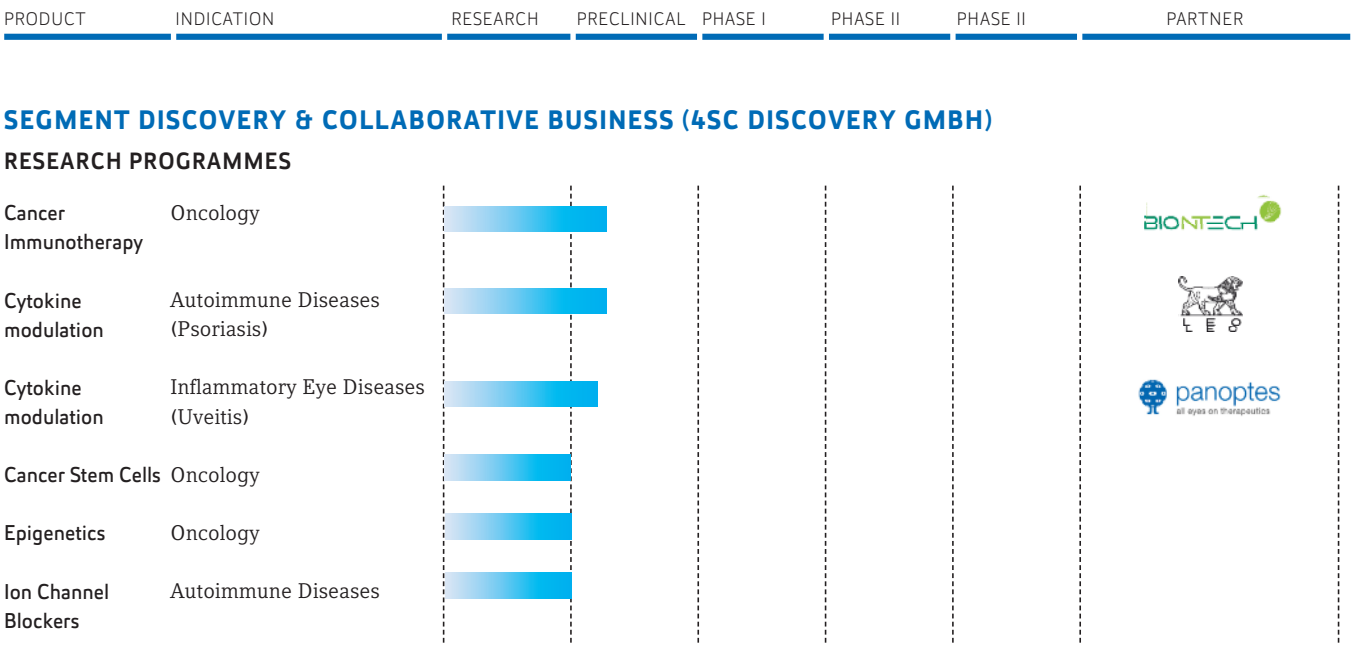
2015

1997

# PRODUCT PIPELINE

As at 4 May 2015




* Study by Yakult Honsha in Japan

Study completed and/or results published

** Asia-Pacific without Japan

# 4SC AT A GLANCE

Headquartered in Planegg-Martinsried near Munich, 4SC is a highly innovative biotech company.

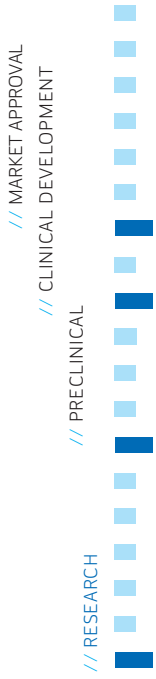
We are a discovery and development company of targeted small molecule drugs for the treatment of autoimmune diseases and cancer in indications with a high unmet medical need. In so doing, we wish to offer affected patients treatment options that are more effective and better tolerated to provide a better 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 and early-stage research projects. We are focussing on attractive fields of research such as epigenetics, cancer stem cells, cancer immunotherapy 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.

## // 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 4 May 2015

# 4SC GROUP – KEY FIGURES AT A GLANCE

in € 000's unless stated otherwise

| | Q1 2015 | Q1 2014 | Change in % |
|---|---|---|---|
| **Financial performance, cash flows and financial position** | | | |
| Revenue | 1,992 | 1,440 | 38 |
| Operating profit/loss | -1,333 | -2,123 | 37 |
| Profit/loss for the period | -1,541 | -2,121 | 27 |
| Earnings per share (basic and diluted) (in €) | -0.03 | -0.04 | 25 |
| Equity (end of period) | 507 | 9,259 | -95 |
| Equity ratio (end of period) in % | 3.5 | 59.1 | -55.6%P |
| Total assets (end of period) | 14,338 | 15,674 | -9 |
| Monthly cash inflow (+)/outflow (-) from operations (average)[1] | -698 | -709 | -2 |
| Capital and financing measures | 998 | 433 | 130 |
| Cash and cash equivalents (end of period) | 2,106 | 2,771 | -24 |

| | Q1 2015 | Q1 2014 | Change in % |
|---|---|---|---|
| **Staff** | | | |
| Total number of employees (incl. Management Board) (end of period) | 68 | 64 | 6 |
| Number of full-time equivalents (incl. Management Board) (end of period) | 58 | 55 | 5 |

[1] Calculation: (Change in cash funds at end of period compared with the end of prior period + proceeds from the capital increase and/or financing measures)/ number of passed months in the business year

# KEY EVENTS

## JANUARY:

**4SC AG: Professor Helga Rübsamen-Schaeff joins the Supervisory Board of 4SC AG**

Biotech entrepreneur and pharmaceutical research manager Professor Helga Rübsamen-Schaeff is appointed to the Supervisory Board of 4SC AG. From 2006 until March 2015, Professor Helga Rübsamen-Schaeff acted as Managing Director and CEO of the Wuppertal-based biopharma company AiCuris GmbH that she founded. Prior to that she worked as a research manager for the Bayer Group for 12 years, among others.

**4SC Discovery GmbH: BEYOND RESEARCH initiative with CRELUX reaches first milestone in drug discovery project for Helmholtz Zentrum München**

4SC Discovery and its partner CRELUX successfully completed the first stage of a collaboration with the RQScue Therapeutics working group at the Munich-based Helmholtz Zentrum München in the field of research and drug discovery of new compounds for treatment of degenerative diseases. The second stage of the project has been started now. The work is being performed as part of the BEYOND RESEARCH initiative and is funded by the Bavarian Ministry of Economic Affairs and Helmholtz Zentrum München.

## FEBRUARY:

**4SC Discovery GmbH: 4SC Discovery's investee Panoptes Pharma signs license agreement with Mediolanum for compound PP-001 for inflammatory eye diseases**

Under the terms of the agreement, Mediolanum will acquire marketing rights to Panoptes Pharma's PP-001, a small molecule which is currently in preclinical development as potential next generation treatment for several inflammatory eye diseases. Under the terms of the agreement, Panoptes received an upfront payment, and is eligible for developmental and sales milestones and royalties on net sales.

## MARCH:

**Resminostat: Presentation of new findings on immunotherapy activity**

The presentation given at the 2015 ITOC-2 conference covered new preclinical data on resminostat's activity as an immune modulator. The data present an additional activity characteristic for the compound. The data as presented highlight the potential for combining resminostat with other immunotherapy drugs in the future. This approach involves first reprogramming the cancer cells with resminostat, which not only enables their improved detection and elimination by the immune system but also increases the effectiveness of the "checkpoint inhibitors" in combined administration.

## APRIL:

**4SC AG: Dr Susanne Danhauser-Riedl hired as Chief Medical Officer**

Dr Danhauser-Riedl took over management of clinical development at 4SC AG on 1 April 2015. Her primary responsibility is the further clinical development of the Company's oncology pipeline. A medical doctor with many years of experience in haematology/oncology, she has over 20 years of senior management experience in research and clinical practice and in the pharmaceutical industry in the field of medial affairs.

**Resminostat: Asia/Pacific licence deal signed with Menarini AP**

After the end of the reporting period, 4SC signed a licence and development agreement for resminostat for the Asia/Pacific ("APAC") region – excluding Japan – with Menarini AP, a Singapore-based subsidiary of the Italian pharmaceutical multinational Menarini Group. For 4SC, the upfront payment received and other potential future performance-related milestone payments amount to up to €95 million. In addition, 4SC will be eligible to double-digit royalties linked to potential future sales. Together with the licence deal signed with Yakult Honsha for Japan, this completes coverage for the development of resminostat throughout Asia/Pacific – a region in which 75% of all cases of liver cancer occur. For all other markets worldwide, including the USA and Europe, 4SC continues to hold all rights to resminostat, and thus stands to gain from any future marketing and licensing potential in all indications.

# LETTER TO THE SHAREHOLDERS

*Dear Shareholders,*
*Dear Friends and Partners of 4SC,*

I am very pleased to begin this report by informing you of a ground-breaking success achieved by 4SC. As a result of both hard work and successful negotiations, we were able to find an exclusive partner for resminostat in April 2015. 4SC has signed a licence and development agreement for the entire Asia/Pacific region (with the exception of Japan) with this new partner, the Asian subsidiary of the Menarini Group, Italy's largest pharmaceutical company. Based in Singapore, Menarini AP will be responsible for the clinical development, approval and marketing of resminostat in all oncological indications for this region. The agreement entitles 4SC to upfront payments and milestone payments totalling up to around €95 million, together with royalty payments pegged at a double-digit percentage of sales.

For us, Menarini AP is the perfect partner in Asia while simultaneously being an ideal complement to Yakult Honsha, our resminostat partner in Japan. Of all liver cancer cases worldwide, 75% occur in the Asia/Pacific region. In China in particular, there is an urgent need for an effective drug for treating patients with liver cancer: half of the 700,000 new cases of liver cancer each year are reported in this country. For Menarini, oncology is a strategically important focus the company will develop and expand during the next few years. Menarini AP can also draw on a wealth of business experience gained in the region, and comprehensive expertise in the clinical development and approval of new drugs. We therefore believe that our own clinical development of resminostat in the Western world stands to gain important additional advantages and insights from this collaboration and the development work pursued by Menarini in Asia, from which our company can only benefit.

The new partnership has a further positive effect for 4SC, since it grants our research and development division greater strategic freedom for the future. Thanks to our two partners, development of resminostat now covers the vast Asia/Pacific market, in which about 75% of all cases of liver cancer occur. Accordingly, we are now in a position where we can consider additional or even alternative development options beyond the indication of liver cancer for the development of resminostat in Western countries. With resminostat, additional development options are offered in particular by a number of haematological niche indications. We believe the indication of cutaneous T-cell lymphoma (CTCL) is particularly attractive, for example. While HDAC inhibitors have already shown activity in this indication, a member of this class of compounds has yet to be approved in Europe. In our opinion, this market niche

could offer a more rapid and efficient path to market approval in Europe, and we are now closely evaluating this option. We also see attractive potential for the development of our second epigenetic compound 4SC-202, and for our compound 4SC-205. Plans for the further development of 4SC-202 are proceeding apace within the company: we are now looking at a range of options for accelerating the development of this most interesting compound.

We also expect to see immune modulator activity from resminostat on the basis of the latest preclinical data. The option of using resminostat to strengthen the defence systems of the body's own immune system against cancer cells would perfectly complement the anti-tumour efficacy previously researched for resminostat. Should it prove possible to further substantiate our preclinical data, a highly attractive option for the future would be to investigate the deployment of resminostat for clinical combination therapies with antibodies for immunotherapy and immunostimulants such as checkpoint inhibitors.

The positive results from the first quarter of 2015 and the announcement of our collaboration with Menarini were also applauded by the markets, with the 4SC share price gaining over 50% in the first quarter. The prospect of upfront payments and milestone payments offered by Menarini, the broadening of development options for our oncological compounds and a significantly improved investor climate for biotech stocks in Germany all contributed to the significant gains in enterprise value made by 4SC in the first three months of the year. In addition, this has certainly improved prospects for funding on the equity market. We are also very pleased to report that the 1-for-5 reverse split passed by a resolution of the Extraordinary General Meeting in March was entered into the commercial register in April. This measure has further increased the Management Board's options for future capitalisation measures.

The focus of our efforts continues to be on pushing forward with the further clinical development of our main value drivers, resminostat and 4SC-202, and ensuring sufficient funding for these endeavours. Here, we are thoroughly and quickly exploring all options.

4SC was also able to strengthen company staffing in the first quarter of 2015 with a prestigious appointment that constitutes a positive signal for the future. We were very pleased to welcome Dr Susanne Danhauser-Riedl as our new Chief Medical Officer and Head of Clinical Development at 4SC AG, with effect from 1 April 2015. Dr Danhauser-Riedl is responsible for the clinical development of our oncology pipeline, which includes resminostat, 4SC-202 and 4SC-205. She has more than 20 years of senior management experience in haematology and oncology in research and clinical practice and in the pharmaceutical industry in the field of medical affairs. Prior to joining 4SC, she worked for GlaxoSmithKline, where she was one of the persons responsible for the clinical development of the oncology pipeline in Germany. We have every confidence that she will be successful in advancing our drug candidates through further development towards market approval and will further strengthen 4SC as a whole. This is the shared strategy we are adopting to create value for our shareholders, partners and employees, while supplying a major clinical benefit to the affected patients.

My heartfelt thanks for your commitment, loyalty and support both in the past and in the coming months, and the exciting times that we are sure to experience.

Yours sincerely,

Planegg-Martinsried, May 2015

**Enno Spillner**
Chairman of the Management Board

## 1. BUSINESS PERFORMANCE

### 1.1 ECONOMIC ENVIRONMENT

#### Macroeconomic development

In its most recent outlook, published in April 2015, the International Monetary Fund (IMF) has forecast that the global economy will expand by 3.5% in 2015. IMF analysts have also highlighted volatility in the figures for advanced economies compared to January's outlook. One example is the figure for US economic growth: while still solid at 3.1%, this forecast falls short of the earlier figure of +3.6%, as a result of the strength of the US dollar. The euro zone is predicted to benefit from the weakness of its currency, however, with the IMF expecting economic growth to accelerate to +1.5% from the previous forecast of +1.2%. The four EU nations with the largest economies all stand to benefit from this development: Germany (+1.6%), France (+1.2%), Italy (+0.5%) and Spain (+2.5%).

In Russia, whose fortunes continue to worsen due to the fallout and sanctions from the Ukraine crisis, the economy is expected to contract by 3.8%. Overall, growth for the other emerging and developing economies also lost some of its momentum, leaving these countries expecting only a 4.3% rise in economic output for 2015 (2014: 4.6%). Although still high, Chinese GDP growth will slacken to 6.8%. Overall, Asia can look forward to growth of +6.6%.

#### Developments in the biotech and pharmaceuticals sector

Strong gains were made by the DAXsubsector Biotechnology (+20.7%) and NASDAQ Biotechnology (+12.3%) sector indices in the first quarter of 2015. Following three consecutive years of spectacular financial successes and a solid first quarter, industry information service BioCentury reports that bankers and investors in the USA are working on the basis that gains will continue to be made by large caps while small companies will be rewarded for their clinical achievements. While they are also entertaining the possibility of an – albeit temporary – market correction, investors continue to see the current rally as offering further upward potential. They justify this latest assessment by pointing to the numerous clinical and regulatory successes, strong product launches and high M&A premiums. Other arguments on this view include the current low interest rates as well as low growth in other areas of the economy.

According to figures from management consultants EY (formerly Ernst & Young), while cash inflows to German biotechnology companies remained at a comparably very low level in 2014, rising only slightly to €336 million, US competitors managed to raise funds equivalent of €34 billion in the same period. EY says that biotech companies have therefore continued to pick the USA rather than Germany for their IPOs.

Deutsche Bank sees a funding gap in Germany for young sector companies in particular, and one that could act to stifle competitiveness. The bank also notes that financial bottlenecks often arise directly after start-up funding, stating that average venture capital available per company is around four times higher in the United States than in Germany.

Positive news for 4SC's industry sector, epigenetic compounds, was reported by Swiss pharmaceuticals company Novartis, along with US companies Syndax and Merck. In February 2015, the US drug regulator FDA approved the panobinostat compound (Ferydak®) from Novartis for the treatment of patients with multiple myeloma for whom two prior courses of standard treatment (including bortezomib) have failed. The two companies Syndax and Merck are planning a joint Phase Ib/II trial to test the HDAC inhibitor entinostat from Syndax in combination with Merck's immunotherapy compound Keytruda (pembrolizumab) for the treatment of advanced non-small-cell lung cancer (NSCLC) or melanomas. At the same time, Syndax also signed an exclusive licence agreement with Japanese biopharmaceuticals maker Kyowa Hakko Kirin for the development and commercialisation of entinostat in Japan and South Korea. A set-back was experienced by US biotech company MEI Pharma, whose clinical Phase II trial of the HDAC inhibitor pracinostat did not return data showing the desired activity in patients with myelodysplastic syndrome (MDS).

## 1.2 4SC ON THE STOCK MARKETS

With the mood in the equity market remaining favourable, the 4SC share performed very well, gaining 55.2% in the first quarter of 2015. Strong gains were also made by sector indices, with the DAXsubsector Biotechnology and NASDAQ Biotechnology up 20.7% and 12.3%, respectively.

In the first few weeks of the year, the 4SC share hovered around the year-end close (2014) of €0.82 and even reached a quarterly low of €0.69 on 19 March 2015. Subsequently, however, driven by the publication of the 4SC Annual Report, positive announcements from the Company and a favourable mood in the equity market for biotech companies in Germany, the share made gains that took it comfortably over the €1.00 mark to close the reporting period at its quarterly high of €1.28.

The positive outcome of the vote held at the Extraordinary General Meeting on 11 March 2015 to reduce the Company's share capital to €10,169,841.00 by consolidating the no-par value shares issued in a 5:1 ratio also further expanded 4SC's options for any future capitalisation measures. The resolutions were entered in the commercial register on 15 April 2015. After the changes to the stock quotation on 27 April 2015, the 4SC share received a new German security identification number (A14KL7) and a new ISIN (DE000A14KL72).

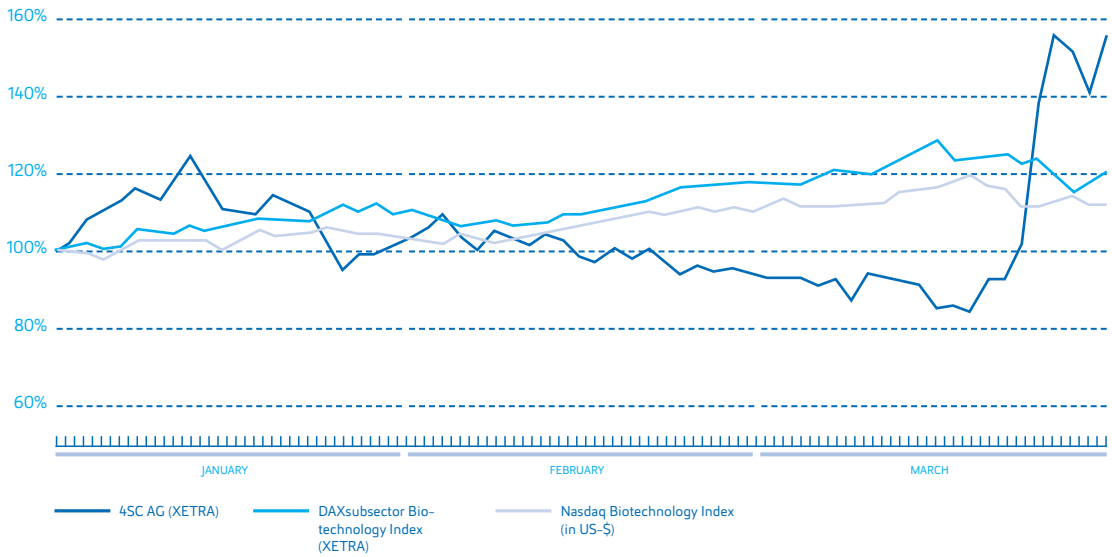
The liquidity of the 4SC share continued its highly dynamic development in the first three months of 2015. The average daily trading volume across all stock exchanges, including Tradegate, increased from 83,604 shares during the whole of 2014 to 116,847 shares in the first quarter of 2015, an increase of 40%

### // KEY FIGURES OF THE 4SC SHARE

| | Q1 2015 | Q1 2014 |
|---|---|---|
| Number of shares issued (average, in 000's) | 50,849 | 50,384 |
| Free float (%) | 36.1 | 30.3 |
| 3-month high (XETRA) (€) | 1.28 | 1.79 |
| 3-month low (XETRA) (€) | 0.69 | 1.31 |
| Price at beginning of the period (XETRA) (€) | 0.86 | 1.60 |
| Price at end of the period (XETRA) (€) | 1.28 | 1.36 |
| Market capitalisation at end of the period (€000's) | 64,934 | 68,556 |
| Average daily trading volume (all markets incl. Tradegate, shares) | 116,847 | 65,034 |

### // SHARE PRICE

in %, indexed on 4SC AG, 01.01.2015 - 31.03.2015



## 1.3 BUSINESS REVIEW FOR THE REPORTING PERIOD

The 4SC Group continued its development in the first quarter of 2015. In the Group segments ("Development" and "Discovery & Collaborative Business"), the Company further pursued its research and development activities. There were important events at Group level too.

### 1.3.1 DEVELOPMENT SEGMENT

The Development segment comprises the clinical and preclinical development work on 4SC's drug candidates as carried out within the Group's parent company 4SC AG. The candidate compounds at the end of the first quarter of 2015 were resminostat, 4SC-202, 4SC-205 and vidofludimus.

### ONCOLOGY

#### RESMINOSTAT

Possessing a broad spectrum of potential deployment options both for solid tumours and malignant haematological disorders, the oral HDAC inhibitor resminostat is the most advanced compound in 4SC's product pipeline. Due to its epigenetic mechanism of action, resminostat is expected to effectively show its therapeutic potential both in combination with conventional cancer drugs and as monotherapy. To date, resminostat has been examined in clinical trials – 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 been deployed both in combination therapy with conventional cancer drugs (with sorafenib in HCC, with FOLFIRI in CRC, with docetaxel in NSCLC) and as monotherapy (in HL).

#### Asia/Pacific licence deal signed with Menarini AP

After the end of the reporting period, 4SC signed a licence and development agreement for resminostat for the Asia/Pacific ("APAC") region – excluding Japan – with Menarini AP, a Singapore-based subsidiary of the Italian pharmaceutical multinational Menarini Group. For 4SC, the upfront payment received and other potential future performance-related milestone payments amount to up to €95 million. In addition, 4SC is be eligible to double-digit royalties linked to the potential future product sales of resminostat (for further details, see chapter 4, "Report on post-balance sheet date events").

Together with the licence deal signed with Yakult Honsha Co., Ltd. for Japan, this completes coverage for the development of resminostat throughout Asia/Pacific – a region in which 75% of all cases of liver cancer occur. For all other markets worldwide, including the USA and Europe, 4SC continues to hold all rights to resminostat, and thus stands to gain from any future marketing and licensing potential in all indications.

Complementing targeted development and approval of the compound in Asia/Pacific, 4SC believes that its own clinical development of resminostat in the Western world will gain important additional advantages and insights from this collaboration and the development work pursued by Menarini Group in Asia, from which 4SC can only benefit.

#### Yakult Honsha conducts Phase II trials in Japan

4SC's development partner Yakult Honsha Co., Ltd. continues to make progress with its development of resminostat in Japan, where it is now testing the compound in two randomised Phase II trials. In the indication of advanced liver cancer (HCC), the efficacy of the resminostat/sorafenib combination as a first-line therapy is being compared to the standard monotherapy with sorafenib in around 140 Asian patients. In the indication of non-small-cell lung cancer (NSCLC), the efficacy of the resminostat/docetaxel combination therapy is being compared to monotherapy with docetaxel in around 100 Asian patients. In both trials, the potential predictive biomarker ZFP64 is being evaluated under randomised study conditions in order to identify a patient population with the potential to respond especially well to treatment with resminostat.

#### Preparations for potential further clinical development of resminostat in Caucasian patient populations

Over the last year, 4SC reviewed all of its options for the clinical development of resminostat in combination with the oncology compound sorafenib in the indication of advanced liver cancer (HCC) and made preparations for a randomised Phase II trial in Caucasian HCC patients. In this trial, resminostat could be examined in combination with the anti-cancer drug sorafenib as a first-line therapy for patients with advanced liver cancer (HCC) in comparison with the current standard treatment of HCC, namely monotherapy with sorafenib. The above study would also further qualify the potential predictive biomarker ZFP64 under randomised conditions.

In addition, the Company has also started to ramp-up its evaluation of other options for resminostat's clinical development. One attractive option would be a haematological niche indication such as cutaneous T-cell lymphoma (CTLC), for example, for which relatively rapid approval seems possible for a comparatively low outlay of resources and moderate risk profile. In the indication of CTCL, HDAC inhibitors have already exhibited basic activity and have received market approval in the USA. In Europe, no member of this class of compounds has yet received market approval.

The Company is currently conducting talks with potential partners, investors and financial market players about the funding options available for the further development of resminostat.

### Preclinical data presented on activity of resminostat as an immunomodulator

4SC presented initial preclinical data for resminostat in late March 2015 at the ITOC-2 Conference (Second Immunotherapy of Cancer Conference) in Munich. These data indicate resminostat possesses immunomodulator activity and thus – in the opinion of 4SC – a property that is an outstanding addition to the compound's anti-tumour characteristics already demonstrated. The immunomodulator activity shown in preclinical testing suggests that resminostat is able to activate the immune system in a specific fashion, known as immune priming. In the future, this immune priming ability could improve the response rates of patients to treatment with cancer immunotherapy treatments already approved or in clinical development. Resminostat is therefore a suitable candidate for further clinical development in combination with checkpoint inhibitors and other immunotherapy techniques, such as those involving antibodies, tumour vaccines and immunostimulants.

## 4SC-202

4SC-202 is the second epigenetic drug candidate in 4SC's clinical development portfolio. The compound is an orally available selective inhibitor of the epigenetic targets LSD 1 as well as HDAC 1, 2 and 3. This combination – believed by 4SC to be unique – is used by 4SC-202 to inhibit the hedgehog and WNT pathways, and thus block two important signalling pathways that play a key role in the development, growth and proliferation of cancer cells, while also being present in cancer stem cells. These features make the compound a useful addition to the 4SC clinical product pipeline. To the best of 4SC's knowledge, 4SC-202 is also the only blocker of the SMO-independent hedgehog pathway in clinical development and therefore could be a treatment option for those cancers for which hedgehog inhibitors have shown no efficacy to date.

Last year, a clinical Phase I trial (TOPAS study) in heavily pre-treated patients with advanced malignant haematological disorders returned positive top-line data for pharmacokinetics, safety and tolerability, as well as initial indications of anti-tumour activity on the part of 4SC-202. Half of these patients exhibited a stabilisation of the disease lasting for over 100 days. No cumulative toxicities were observed even during a prolonged period of treatment received by two patients lasting over 500 days. Continuous stabilisation of the cancer was achieved with one of these patients, while the other patient experienced complete remission of the tumorous lesions for a period of 28 months. Overall, 83% of patients benefited from the treatment, with 75% of them also receiving treatment after the primary six-week treatment period. The TOPAS trial was completed in the first quarter of 2015 and the data are now being analysed for the final study report.

On the strength of previous results, the Company is currently engaged in the in-depth analysis of various options and indications for the further clinical development of 4SC-202. 4SC is also talking to potential financing or industry partners as part of this work.

### 4SC-205

4SC-205 is the third oncology compound in clinical development at the Company. 4SC-205 is an oral inhibitor of the human kinesin spindle protein Eg5. This protein plays a role in cell division, among other things, and thus also for tumour growth. In early December 2014, positive top-line data was returned by the Phase I AEGIS trial with 4SC-205 in patients with advanced solid tumours. The continuous dosing scheme used within this study has established a well-tolerated and potentially effective dose that 4SC believes offers an appealing basis for further clinical development.

Treatment of the last patient remaining in the study was completed in the first quarter of 2015. The final study report is now being prepared. 4SC is currently discussing options for further clinical development with external clinical key opinion leaders and potential partners.

## 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 strategy of focusing on its main value drivers, 4SC currently will not be investing any appreciable resources of its own in the further development of this compound. That said, the Company is making every effort to facilitate the clinical development of this compound with external partners and investors. In this context, 4SC reformulated the vidofludimus active ingredient as a specific salt form in the previous year. The Company believes that the salt form offers considerable pharmacological advantages while also strengthening the patent position with new patents as well as patents with longer terms.

## 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 4SC Discovery GmbH. This wholly-owned subsidiary of 4SC AG is concentrating, among other things, on the research disciplines of epigenetics, cancer stem cells, cancer immunotherapy and cellular signalling pathways involved in the genesis of cancer and/or chronic inflammatory diseases. Three such research programmes have already been transferred to partnerships with other pharmaceutical/biotechnology companies. Our existing research collaborations and partnerships continued their positive performance in the first quarter of 2015. Among others, 4SC Discovery GmbH collaborates with Mainz-based BioNTech AG and the Danish pharmaceutical company LEO Pharma A/S. 4SC Discovery GmbH also maintains a strategic technology and sales partnership with CRELUX GmbH.

In mid-January 2015, the joint BEYOND RESEARCH initiative of 4SC Discovery and its partner CRELUX reached the first milestone in a drug discovery project for Helmholtz Zentrum München. The first stage of the collaboration with the RQScue Therapeutics working group for researching new compounds for treatment of degenerative diseases was successfully completed, and the second project phase was started. The work is funded by the Bavarian Ministry of Economic Affairs and Helmholtz Zentrum München.

In February 2015, 4SC's Austrian investee Panoptes Pharma Ges.m.b.H (Panoptes), Vienna, signed a licence agreement with Mediolanum Laboratoires Leurquin S.A., the French subsidiary of the Italian company Mediolanum Farmaceutici S.p.A. (Mediolanum). As a result, Mediolanum acquired the marketing rights to Panoptes's compound PP-001 in two key European countries. Panoptes received an upfront payment and is eligible for later developmental and sales milestones and royalties on net sales of the compound. PP-001 is currently in preclinical development as a potential next-generation treatment for serious inflammatory eye diseases such as non-infectious uveitis. PP-001 was originally discovered by 4SC Discovery GmbH. In 2013, 4SC Discovery GmbH transferred the patents for PP-001 to Panoptes and received a 24.9% equity stake in Panoptes in return. In addition, 4SC Discovery GmbH is entitled to subsequent performance-based milestone payments from Panoptes and royalties based on the sales revenue generated with PP-001.

### 1.3.3 SIGNIFICANT EVENTS AT GROUP LEVEL

At the beginning of January 2015, biotech entrepreneur and pharmaceutical research manager Professor Helga Rübsamen-Schaeff was appointed as a new member of the Supervisory Board of 4SC AG. Her term of office will initially run until the end of the Annual General Meeting that resolves on formally approving the actions of the Supervisory Board of 4SC AG for financial year 2014. From 2006 until 1 March 2015, Professor Rübsamen-Schaeff acted as Managing Director and CEO of the Wuppertal-based biopharma company that she founded, AiCuris GmbH, and since 1 March 2015 has been Chairwoman of the Advisory Board of AiCuris GmbH. From 1994 to 2006, she held various managerial positions in antiviral and anti-infective Research at Bayer AG. After stints as a guest researcher at various universities including Harvard and Cornell in the United States, the chemist held the post of Managing Director of the Chemotherapeutic Research Institute Georg-Speyer-Haus in Frankfurt, now the Institute for Tumor Biology, for six years and has been Professor of Biochemistry and Virology at the University of Frankfurt since 1988.

At the Extraordinary General Meeting of 4SC AG held on 11 March 2015, the shareholders adopted all agenda items with the required majority and resolved to reduce the Company's share capital to €10,169,841.00 by consolidating the no-par value shares issued in a 5:1 ratio. The aim of the measure is to raise the 4SC share price in a sustained manner above the notional value of €1.00 per share and to give 4SC AG more flexibility to undertake any future capitalisation measures. In technical terms, the measure is split into two phases. In the first phase, to ensure consolidation proceeds smoothly, a share provided free-of-charge to the Company by a shareholder is withdrawn from circulation and share capital is accordingly reduced by €1.00 from €50,849,206.00 to €50,849,205.00. In the second step, the share capital resulting from share consolidation in the ratio of 5:1 is then reduced to €10,169,841.00. This measure was entered in the commercial register – following the close of the period under review – on 7 April 2015 (completion of step 1) and 15 April 2015 (completion of step 2). The stock quotation was officially changed effective 27 April 2015. The 4SC share received a new German security identification number (A14KL7) and a new ISIN (DE000A14KL72) on 27 April 2015.

### 1.3.4 STAFF

As at 31 March 2015, the 4SC Group had a total of 68 employees (incl. the Management Board of 4SC AG and the executive management of 4SC Discovery GmbH) (31 December 2014: 66). The Development segment had 40 employees at the end of the quarter (31 December 2014: 40), while the Discovery & Collaborative Business segment had 28 (31 December 2014: 26).

On average, 67 employees worked for the 4SC Group in the first three months of 2015 (Q1 2014: 65). The Company had a total of 58 full-time employees (full-time equivalents, FTEs) at the end of the quarter, taking part-time employees and employees on parental leave into account. It had 57 FTEs as at 31 December 2014. As at the end of the quarter, 74% (31 December 2014: 71%) of the FTEs worked in research and development, and 26% (31 December 2014: 29%) in sales and administration.

## 2. RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

The 4SC Group, comprising 4SC AG and its wholly-owned subsidiary 4SC Discovery GmbH, reports consolidated figures for both the first three months of the 2015 financial year and the comparative period of the 2014 financial year.

Since the beginning of 2012, the 4SC Group has reported in the operating segments Development and Discovery & Collaborative Business. As at the end of the first quarter 2015, the Development segment comprised the development programmes for resminostat, 4SC-202, 4SC-205 and vidofludimus. The Discovery & Collaborative Business segment comprised the activities involved in drug discovery and early-stage research plus subsequent commercialisation and, in particular, service business, as well as research collaborations related to drug discovery and optimisation.

### 2.1 RESULTS OF OPERATIONS

#### Revenue

Consolidated revenue amounted to €1,992 thousand in the first quarter of 2015, a substantial 38% improvement on the figure generated in the same period of 2014 (Q1 2014: €1,440 thousand). Sales revenue was mainly based on the cooperation agreements with BioNTech AG and Leo Pharma A/S, Denmark, that began in 2013 and the collaboration with Yakult Honsha Co. Ltd.. The increase in

revenue was mainly due to allocations to Yakult Honsha Co., Ltd. of the costs to produce the resminostat compound.

Revenue in the Development segment increased five-fold to €1,419 thousand (Q1 2014: €223 thousand), while the Discovery & Collaborative Business segment's revenue fell by 53% to €573 thousand (Q1 2014: €1,217 thousand). Further information regarding segment results can be found in chapter 2 of the consolidated notes.

### Operating expenses

Operating expenses, comprising the cost of sales, distribution costs, research and development costs and administration costs, stood at €3,435 thousand in the first quarter of 2015 and thus were slightly lower than the prior-year figure (Q1 2014: €3,563 thousand). The Development segment accounted for €2,742 thousand (Q1 2014: €2,723 thousand) of operating expenses, while the Discovery & Collaborative Business segment incurred €1,005 thousand (Q1 2014: €1,141 thousand) and the consolidation accounted for €-312 thousand (Q1 2014: €-301 thousand).

Research and development costs incurred in connection with drug development and the analysis of completed clinical studies continued to make up the majority of expenses. These fell by 44% to €1,128 thousand in the quarter under review (Q1 2014: €2,032 thousand).

The sharp increase in the cost of sales to €1,379 thousand in the reporting quarter (Q1 2014: €639 thousand) is due mainly to the costs incurred to produce the resminostat compound for clinical trials in Japan. These costs were passed on to 4SC's partner, Yakult Honsha Co., Ltd. Other components of the cost of sales were incurred under the ongoing research collaborations with BioNTech AG and LEO Pharma A/S, Denmark.

Distribution costs, which consist of the costs incurred by the Business Development as well as the PR & Marketing units, decreased slightly to €110 thousand (Q1 2014: €120 thousand) during the first quarter of 2015 due to a lower level of consulting services.

Administrative costs rose slightly to €818 thousand (Q1 2014: €772 thousand), mainly due to the additional expenses in connection with the Extraordinary General Meeting.

### Operating profit/loss

The Company's loss from operating activities decreased by 37%, primarily on the back of higher revenue. The operating loss posted for the first three months of 2015 amounted to €1,333 thousand, (Q1 2014: €2,123 thousand).

### Net finance income/loss

Net finance income declined considerably year-on-year to €-208 thousand (Q1 2014: €2 thousand). This is mainly due to interest expense of €242 thousand incurred in the first quarter of 2015 primarily in connection with the draw-down of the shareholder loan from Santo Holding (Deutschland) GmbH and from the convertible note agreement signed with Yorkville. The share in the profit/loss of associates improved substantially year-on-year to €33 thousand (Q1 2014: €14 thousand).

### Taxes

In the first quarter of 2015, 4SC did not report a tax income/expense figure (Q1 2014: €0 thousand).

### Consolidated net loss

The net loss for the period improved by 27% year-on-year to €1,541 thousand (Q1 2014: €2,121 thousand). Further information regarding segment results can be found in the consolidated notes.

### Earnings per share

The decrease in the loss for the period along with a simultaneous slight increase in the average number of shares reduced the loss per share from €0.04 in the first quarter of 2014 to €0.03 in the quarter under review.

## 2.2. NET ASSETS

### Non-current assets

Non-current assets amounted to €10,461 thousand as at 31 March 2015 after totalling €10,639 thousand as at 31 December 2014. The decline as against financial year-end 2014 is largely due to amortisation of intangible assets and depreciation of property, plant and equipment. Intangible assets remained the largest item of non-current assets in the statement of financial position, amounting to €9,634 thousand (31 December 2014: €9,836 thousand).

### Current assets

The decline in current financial assets from €4,295 thousand as at 31 December 2014 to €3,877 thousand as at 31 March 2015 was largely due to the decrease in funds. This figure was down by €1,096 thousand to €2,106 thousand as at 31 March 2015 (31 December 2014: €3,202 thousand). This was offset by an increase in trade accounts receivable of €607 thousand to €1,259 thousand as at 31 March 2015 (31 December 2014: €652 thousand), which are attributable to the research collaboration with Yakult Honsha Co. Ltd.

### Equity

The decline in equity from €2,050 thousand as at 31 December 2014 to €507 thousand as at 31 March 2015 was influenced primarily by the loss for the period of €1,541 thousand, lifting the accumulated deficit accordingly, from €128,956 thousand (31 December 2014) to €130,497 thousand (31 March 2015). The equity ratio declined by 10.2 percentage points, from 13.7% as at 31 December 2014 to 3.5% at 31 March 2015.

### Non-current liabilities

Non-current liabilities rose by €868 thousand to €8,910 thousand as at 31 March 2015 (31 December 2014: €8,042 thousand). The majority was attributable to liabilities to shareholders in the amount of €7,251 thousand (31 December 2014: €6,131 thousand). This amount reflects the four tranches of a total of €7,000 thousand drawn down from the Santo Holding (Deutschland) GmbH shareholder loan of up to €10 million agreed in June 2014. The other non-current liabilities consist largely of deferred income in connection with the partnership with Yakult Honsha Co., Ltd., Japan.

### Current liabilities

Current liabilities increased by €79 thousand to €4,921 thousand (31 December 2014: €4,842 thousand). This item includes trade accounts payable of €1,466 thousand (31 December 2014: €993 thousand) arising primarily from the production of the resminostat compound for Yakult Honsha Co., Ltd., Japan. Deferred income remained constant at €894 thousand (31 December 2014: €894 thousand). At the reporting date, there were also liabilities of €423 thousand for convertible notes issued to Yorkville (31 December 2014: €317 thousand).

### Total assets/Total equity and liabilities

Total assets/total equity and liabilities amounted to €14,338 thousand as at 31 March 2015, down just under 4% on the end-of-year figure of €14,934 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 three months of 2015 amounted to €-2,070 thousand. The operating loss posted for this period amounted to €1,541 thousand. The difference is primarily attributable to various cash items such as the reduction of other liabilities. In the prior-year period of 2014, cash outflows from operating activities came to €2,525 thousand with a pre-tax loss of €2,121 thousand.

### Cash flows from investing activities

In the reporting period and in the previous year, only small investments were made in fixed assets (Q1 2015: €24 thousand; Q1 2014: €36 thousand).

### Cash flows from financing activities

Due mainly to the draw-down of €1,000 thousand from the loan provided by Santo Holding (Deutschland) GmbH, there was a cash inflow of €998 thousand in the first quarter of 2015 (Q1 2014: €433 thousand).

### Funds

As at 31 March 2015, the Company had cash and cash equivalents totalling €2,106 thousand (31 December 2014: €3,202 thousand). No funds were invested in short-term fixed-interest securities at the end of the first quarter of 2015 or at the end of 2014. This resulted in an average monthly outflow of cash from operations amounting to €698 thousand in the first quarter of 2015.

In addition, 4SC AG may draw down a further €3 million from the Santo loan and utilise tranches from the Yorkville funding via convertible bonds in an amount of up to €14 million.

## 3. REPORT ON OPPORTUNITIES AND RISKS

Please see pages 62 to 75 of the annual report as at 31 December 2014 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 2015. 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.

## 4. REPORT ON POST-BALANCE SHEET DATE EVENTS

At the beginning of the second quarter of 2015, 4SC announced the strengthening of its management and its oncology team. Dr Susanne Danhauser-Riedl took over management of clinical development at 4SC AG on 1 April 2015 as the Company's Chief Medical Officer (CMO). Her primary responsibility is the further clinical development of 4SC's oncology pipeline, including resminostat, 4SC-202 and 4SC-205. Dr Danhauser-Riedl is a medical doctor with many years of experience in haematology/oncology. With over 20 years of senior management experience in research and clinical practice and in clinical development in the pharmaceutical industry in the field of medial affairs. Prior to joining 4SC, she spent almost ten years with the pharmaceutical company GlaxoSmithKline GmbH & Co. KG, where she was one of the persons responsible for the life cycle management of cancer drugs including clinical development in Germany as Medical Head Haematology/Oncology and – from 2012 – Medical Head Haematology/Head Regional Medical Advisors.

In mid-April 2015, 4SC signed a licence and development agreement for resminostat for the Asia/Pacific ("APAC") region – excluding Japan – with Menarini Asia-Pacific Holdings Pte. Ltd. ("Menarini AP"), a Singapore-based subsidiary of the Italian pharmaceutical multinational Menarini Group. Menarini AP received the exclusive licensing rights for the development and marketing of resminostat in all APAC countries, including, among others, China, South Korea, Australia, Thailand, Philippines, Indonesia and Vietnam. Menarini AP will be responsible for the clinical development, regulatory approval and commercialisation of resminostat in China, and the other territories included in the agreement, in all oncological indications, and in particular liver cancer (HCC). 4SC received an upfront payment from Menarini Group and is entitled to receive further milestone payments following the achievement of certain development, approval and commercialisation milestones. The upfront and milestone payments total up to approximately €95 million. In addition, 4SC will be eligible to double-digit royalties linked to potential future sales of resminostat in the region.

Following the licence agreement with Yakult for Japan, the licence agreement with Menarini Group now completes licence coverage for the entire Asia/Pacific region.

The development of resminostat in APAC as a whole, and in China and Japan in particular, is of major strategic importance for 4SC, since one of the most important indications in resminostat's clinical development programme – liver cancer (HCC) – is particularly widespread in this region. To the best of 4SC's knowledge, over 75% of all cases of liver cancer occur in the APAC region, while 50% of all HCC cases worldwide are reported in China.

## 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

According to a study from management consultants EY (formerly: Ernst & Young), several German biotechnology companies are preparing for an IPO in the near future. EY analysts also point to a continued trend of planning IPOs on a foreign exchange, where biotech-savvy investors are more numerous and far less risk-averse than in Germany. While the confidence of German biotech firms has certainly been boosted by prominent investors such as Bill Gates, who recently made a financial commitment to Tübingen-based Curevac, a recent sector study published by EY analysts has identified the lack of venture capital as a persistent structural problem for the sector.

In an appraisal published in early April 2015, industry information service BioCentury expects that announcements from biotechnology companies in the field of oncology will be relatively rare until the annual American Society of Clinical Oncology (ASCO) conference in June. Investors see solid opportunities for further financing and IPOs in the second quarter of 2015. BioCentury states that 32 companies have announced plans to complete an IPO in the USA. Yet the volume of follow-ons is unlikely to rise any further, claims the information service: in the first quarter of 2015, financing in the biotechnology segment passed the $11.3 billion mark – demolishing the previous quarterly record of $5.2 billion set in the fourth quarter of 2000 by 117%.

### Forecast for the Company

The 4SC Group remains committed to pursuing its refocused research and development strategy. A key part of this strategy involves 4SC concentrating on the clinical development of those programmes that offer the greatest potential to increase value for the Group. Developing the oncology compound resminostat as planned continues to be an important focus here. The Management Board also believes that the positive Phase I study data obtained in 2014 – first and foremost for the oncology compound 4SC-202, but also for 4SC-205 – offer additional attractive development options for the near- and medium-term, which 4SC will continue to assess.

4SC is currently reviewing two concrete options for the further clinical development of resminostat. The first of these concerns the double-blind randomised controlled Phase II trial prepared by 4SC in 2014 in the indication of advanced liver cancer (HCC). In this trial, resminostat could be tested in combination with the anti-cancer drug sorafenib as a first-line therapy in comparison with the current standard treatment of HCC, namely monotherapy with sorafenib. The trial could also further qualify the potential predictive biomarker ZFP64. This study would be virtually identical to the randomised Phase II trial currently being conducted by 4SC's partner Yakult Honsha Co., Ltd. in Japan in 140 HCC patients.

Secondly, 4SC is also reviewing development options for resminostat in other indications. One particularly attractive option is offered by haematological niche indications such as cutaneous T-cell lymphoma (CTCL). Since efficacy for these indications has already been shown by the class of histone deacetylase (HDAC) inhibitor compounds, the 4SC Management Board believes that the positive clinical safety and efficacy profile demonstrated by resminostat to date appears to open up an accelerated route to market approval for a comparably modest level of capital outlay. In CTCL, two HDAC inhibitors have now received market approval in the USA, although such compounds have yet to be approved in Europe.

The Company will continue to pursue additional tests and preparatory work for the further development of resminostat. 4SC will not start any studies until their financing has been secured, however. The Company is currently conducting talks with potential partners, investors and financial market players about the options available for trial financing.

Following the licence agreement with Yakult Honsha Co., Ltd. for Japan, the licence agreement with Menarini Group signed in mid-April now completes licence coverage for resminostat for the entire Asia/Pacific region. 4SC believes that both companies intend to focus their work on the development of resminostat in the indication of liver cancer (HCC), although other indications are also being considered. 4SC expects its Japanese development partner Yakult Honsha Co., Ltd. to maintain its high level of commitment in proceeding with the two ongoing Asian Phase II trials investigating resminostat in the indications of advanced liver cancer (HCC) and non-small-cell lung cancer (NSCLC).

As previously reported, 4SC published positive top-line results from the Phase I TOPAS trial in patients with malignant haematological disorders for its second epigenetic oncology compound 4SC-202 in 2014. The Company is now preparing the trial data for the final study report, which is expected to be published mid-year 2015. 4SC is currently putting great effort into evaluating the various clinical development options, and is analysing several specific indications for an in-house Phase II development programme. In parallel, 4SC is also engaged in talks with potential financing and industry partners for the further development of 4SC-202.

In December 2014, 4SC published positive top-line results from the Phase I AEGIS trial investigating 4SC-205, its third oncology compound. 4SC is now working on the preparation of the study report, which also includes data from the biomarker analysis. In 2015, the Company will publish further study data at a scientific conference, in all likelihood the 2015 ASCO Annual Meeting in Chicago. 4SC will now proceed to discuss the results with external clinical key opinion leaders and potential partners to assess further development options for 4SC-205.

As regards vidofludimus, the Company's clinical compound in the field of autoimmune diseases, 4SC remains committed to negotiating with investors and industry partners to enable the further development of this drug candidate by an external party. In accordance with its refocusing strategy, however, 4SC will not allocate any appreciable company funds to the further clinical development of vidofludimus at this time.

Overall, 4SC is seeking to secure further licensing deals with companies from the pharmaceutical and biotech sectors to ensure the further clinical development of its products and generate additional company assets. 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, 4SC Discovery GmbH wants to continue entering into new research collaborations with companies in the pharmaceutical/biotech sectors or higher education partners to generate income from service provision and maximise internal capacity utilisation. Furthermore, 4SC Discovery GmbH is pursuing the signing of licence deals with pharmaceutical and biotechnology companies (early-stage partnering deals). Such deals are intended to accelerate its own research programmes currently in development and generate additional income and long-term potential value for 4SC from upfront payments and performance-related milestone payments or royalty payments.

## Financial forecast

4SC had funds of €2,106 thousand at the end of the first quarter of 2015. 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 believes that these funds are sufficient to finance the Company's operations probably beyond the first quarter of 2016.

Based on the current financial planning, particular the current planning for revenue that has yet to be met, the Management Board is expecting an average cash burn rate from operations of approx. €200 thousand per month for 2015. New clinical trial starts, such as may follow successful financing, are not included in this forecast and would significantly change it. The same applies in the event of revenue targets being missed.

For 2015, the Management Board anticipates a slight decrease in research and development costs and a further reduction in the consolidated net loss from operations as against 2014 as a result of a renewed drop in operating expenses and a rise in the contributions to earnings at the same time. This assumption is, however, contingent on the Company’s research and development programmes and partnerships continuing to exist and running according to plan and no new clinical studies being started.

In the event of funding being secured and the start of additional clinical Phase II trials – for instance with resminostat and/or 4SC-202 – the Company's cost and cash flow 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. For 2015, the Management Board expects 4SC's research subsidiary to generate a positive cash flow from operations.

Planegg-Martinsried, 4 May 2015

**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 31 March 2015 (unaudited)

## // CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in € 000's

| | Q1 2015 | Q1 2014 |
|---|---|---|
| Revenue | 1,992 | 1,440 |
| Cost of sales | -1,379 | -639 |
| **Gross profit** | **613** | **801** |
| | | |
| Distribution costs | -110 | -120 |
| Research and development costs | -1,128 | -2,032 |
| Administrative costs | -818 | -772 |
| Other income | 110 | 0 |
| **Operating profit/loss** | **-1,333** | **-2,123** |
| | | |
| **Net finance income/loss** | | |
| Share in the profit of equity-accounted investees | 33 | 14 |
| Finance income | 1 | 3 |
| Finance costs | -242 | -15 |
| **Net finance income/loss** | **-208** | **2** |
| | | |
| **Earnings before taxes** | **-1,541** | **-2,121** |
| | | |
| Income tax | 0 | 0 |
| | | |
| **Net profit/loss for the period = Consolidated comprehensive income/loss** | **-1,541** | **-2,121** |
| | | |
| Earnings per share (basic and diluted; €) | -0.03 | -0.04 |

## // CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

in € 000's

| | 31.03.2015 | 31.12.2014 |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets | 9,634 | 9,836 |
| Property, plant and equipment | 406 | 425 |
| Investments accounted for using the equity method | 253 | 220 |
| Other assets | 168 | 158 |
| **Total non-current assets** | **10,461** | **10,639** |
| | | |
| **Current assets** | | |
| Inventories | 23 | 25 |
| Trade accounts receivable | 1,259 | 652 |
| Receivables from associates | 0 | 23 |
| Cash and cash equivalents | 2,106 | 3,202 |
| Current income tax assets | 3 | 18 |
| Other assets | 486 | 375 |
| **Total current assets** | **3,877** | **4,295** |
| | | |
| **Total assets** | **14,338** | **14,934** |

## // CONSOLIDATED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

in € 000's

| | 31.03.2015 | 31.12.2014 |
|---|---|---|
| **Equity** | | |
| Subscribed capital | 50,849 | 50,849 |
| Share premium | 78,337 | 78,339 |
| Reserves | 1,818 | 1,818 |
| Accumulated deficit | -130,497 | -128,956 |
| **Total equity** | **507** | **2,050** |
| | | |
| **Non-current liabilities** | | |
| Liabilities to shareholders | 7,251 | 6,131 |
| Other liabilities | 95 | 123 |
| Deferred income | 1,564 | 1,788 |
| **Total non-current liabilities** | **8,910** | **8,042** |
| | | |
| **Current liabilities** | | |
| Trade accounts payable | 1,466 | 993 |
| Accounts payable to associates | 0 | 6 |
| Convertible bonds issued | 423 | 317 |
| Other liabilities | 2,138 | 2,632 |
| Deferred income | 894 | 894 |
| **Total current liabilities** | **4,921** | **4,842** |
| | | |
| **Total equity and liabilities** | **14,338** | **14,934** |

## // CONSOLIDATED STATEMENT OF CASH FLOWS

in € 000's

| | Q1 2015 | Q1 2014 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Earnings before taxes | -1,541 | -2,121 |
| | | |
| **Adjustment for statement of comprehensive income items** | | |
| Depreciation and amortisation | 245 | 271 |
| Net finance income/loss | 208 | -1 |
| Other non-cash items | -9 | -14 |
| | | |
| **Changes in statement of financial position items** | | |
| Inventories | 2 | 1 |
| Trade accounts receivable | -584 | -543 |
| Current income tax assets | 15 | 57 |
| Other assets | -121 | 167 |
| Trade accounts payable | 473 | 93 |
| Accounts payable to associates | -6 | -28 |
| Deferred income | -224 | -390 |
| Other liabilities | -522 | -18 |
| | | |
| Interest received | 0 | 3 |
| Interest paid | -6 | -2 |
| | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | -2,070 | -2,525 |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of intangible assets | 0 | 0 |
| Purchase of property, plant and equipment | -24 | -36 |
| Purchase of financial investments | 0 | 0 |
| Sale of financial investments | 0 | 1,000 |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | -24 | 964 |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Payments to subscribed capital | 0 | 37 |
| Payments to share premium | -2 | 61 |
| Payments from the issuance of convertible bonds | 0 | 335 |
| Payments of shareholder loans | 1,000 | 0 |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | 998 | 433 |
| | | |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | -1,096 | -1,128 |
| + Cash and cash equivalents at the beginning of the period | 3,202 | 3,899 |
| **= CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | 2,106 | 2,771 |

## // CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in € 000's

| | | | Reserves | | | |
|---|---|---|---|---|---|---|
| | Subscribed capital | Share premium | Reserves Stock options | Retained earnings | Accumulated deficit | Total |
| **Balance on 01.01.2014** | **50,372** | **78,355** | **1,748** | **67** | **-119,260** | **11,282** |
| Options issued (ESOP 2009/2009) | | | 0 | | | 0 |
| Options issued (ESOP 2009/2010) | | | 0 | | | 0 |
| Options issued (ESOP 2009/2011) | | | 0 | | | 0 |
| Capital increase from the conversion of convertible bonds | 37 | 61 | | | | 98 |
| Comprehensive income/loss 01.01.–31.03.2014 | | | | | -2,121 | -2,121 |
| *Net profit/loss for the period 01.01.–31.03.2014* | | | | | -2,121 | -2,121 |
| **Balance on 31.03.2014** | **50,409** | **78,416** | **1,748** | **67** | **-121,381** | **9,259** |
| | | | | | | |
| **Balance on 01.01.2015** | **50,849** | **78,339** | **1,751** | **67** | **-128,956** | **2,050** |
| Options issued (ESOP 2009/2009) | | | 0 | | | 0 |
| Options issued (ESOP 2009/2010) | | | 0 | | | 0 |
| Options issued (ESOP 2009/2011) | | | 0 | | | 0 |
| Capital increase from the conversion of convertible bonds | 0 | -2 | | | | - 2 |
| Comprehensive income/loss 01.01.–31.03.2015 | | | | | -1,541 | -1,541 |
| *Net profit/loss for the period 01.01.–31.03.2015* | | | | | -1,541 | -1,541 |
| **Balance on 31.03.2015** | **50,849** | **78,337** | **1,751** | **67** | **-130,497** | **507** |

# SELECTED CONSOLIDATED NOTES

to the consolidated interim report as at 31 March 2015 (unaudited)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.1 BASIS OF PREPARATION

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

### 1.2 COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

These interim consolidated financial statements as at 31 March 2015 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., | Associate | IAS 28 |
| Vienna, Austria | | |
| quattro research GmbH, | Associate | IAS 28 |
| Planegg-Martinsried | | |
| Quiescence Technologies LLC., | Equity investment | IAS 39 |
| Melbourne, Florida, USA | | |

### 1.3 RELEASE OF THE FINANCIAL STATEMENTS

The Management Board approved the consolidated interim report for release on 4 May 2015. 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 24 June 2014) was held via teleconference on 24 April 2015.

### 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 2014.

## 2. SEGMENT REPORTING

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

#### Development

The Development segment comprises the clinical and preclinical development work for drug candidates from the Group's product pipeline and is conducted by the Group's parent company 4SC AG. As at the end of the first quarter of 2015, it comprised the development programmes for resminostat, 4SC-202 and 4SC-205 as well as vidofludimus.

#### Discovery & Collaborative Business

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

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

## // STATEMENT OF COMPREHENSIVE INCOME

in € 000's

| | Development | | Discovery & Collaborative Business | | Nicht Not allocated | | Consolidation | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 2015 | Q1 2014 | Q1 2015 | Q1 2014 | Q1 2015 | Q1 2014 | Q1 2015 | Q1 2014 | Q1 2015 | Q1 2014 |
| **Statement of comprehensive income** | | | | | | | | | | |
| **Revenue (total)** | **1,419** | **223** | **573** | **1,217** | **0** | **0** | **0** | **0** | **1,992** | **1,440** |
| External revenue | 1,419 | 223 | 573 | 1,217 | 0 | 0 | 0 | 0 | 1,992 | 1,440 |
| Intersegment revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Other income** | **381** | **267** | **41** | **34** | **0** | **0** | **–312** | **–301** | **110** | **0** |
| **Operating expenses** | **–2,742** | **–2,723** | **–1,005** | **–1,141** | **0** | **0** | **312** | **301** | **–3,435** | **–3,563** |
| of which research and development costs | –760 | –1,848 | –573 | –383 | 0 | 0 | 205 | 199 | –1,128 | –2,032 |
| of which cost of sales, distribution costs and administrative costs | –1,982 | –875 | –432 | –758 | 0 | 0 | 107 | 102 | –2,307 | –1,531 |
| **Segment result** | **–942** | **–2,233** | **–391** | **110** | **0** | **0** | **0** | **0** | **–1,333** | **–2,123** |
| **Net finance income/loss** | **–3** | **0** | **–2** | **0** | **–203** | **2** | **0** | **0** | **– 208** | **2** |
| **Earnings before taxes** | **–945** | **–2,233** | **–393** | **110** | **–203** | **2** | **0** | **0** | **–1,541** | **–2,121** |
| Income tax expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net profit/loss for the year** | **–945** | **–2,233** | **–393** | **110** | **–203** | **2** | **0** | **0** | **–1,541** | **–2,121** |
| | | | | | | | | | | |
| **Item of the statement of financial position & fixed assets** | | | | | | | | | | |
| Non-current assets | 9,724 | 10,568 | 317 | 450 | 420 | 352 | 0 | 0 | 10,461 | 11,370 |
| Current assets | 1,235 | 200 | 455 | 1,119 | 2,187 | 2,985 | 0 | 0 | 3,877 | 4,304 |
| **Total segment assets** | **10,959** | **10,768** | **772** | **1,569** | **2,607** | **3,337** | **0** | **0** | **14,338** | **15,674** |
| Equity | 0 | 0 | 0 | 0 | 507 | 9,259 | 0 | 0 | 507 | 9,259 |
| Non-current liabilities | 1,564 | 2,556 | 0 | 13 | 7,346 | 0 | 0 | 0 | 8,910 | 2,569 |
| Current liabilities | 3,725 | 2,518 | 314 | 993 | 882 | 335 | 0 | 0 | 4,921 | 3,846 |
| **Total segment liabilities** | **5,289** | **5,074** | **314** | **1,006** | **8,735** | **9,594** | **0** | **0** | **14,338** | **15,674** |
| Capital expenditure | 16 | 5 | 8 | 31 | 0 | 0 | 0 | 0 | 24 | 36 |
| Depreciation and amortisation | 217 | 222 | 28 | 49 | 0 | 0 | 0 | 0 | 245 | 271 |

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

in € 000's

| | Q1 2015 | Q1 2014 |
|---|---|---|
| Germany | 227 | 667 |
| Europe | 346 | 550 |
| Asia | 1,419 | 223 |
| **Revenue** | **1,992** | **1,440** |

## 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).

| | Q1 2015 | Q1 2014 |
|---|---|---|
| Based on net profit/loss for the period | -1,541 | -2,121 |
| (in € 000's) | | |
| Based on average number of shares | 50,849 | 50,384 |
| (in thsd.) | | |
| **Earnings per share** | **-0.03** | **-0.04** |
| **(basic and diluted, in €)** | | |

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 31 March 2015. Taken together, these items comprise the cash balance/funds:

in € 000's

| | 31.03.2015 | 31.12.2014 | 31.03.2014 |
|---|---|---|---|
| Cash and cash equivalents at the end | 2,106 | 3,202 | 2,771 |
| of the period | | | |
| Other financial assets | 0 | 0 | 0 |
| **Cash balance/funds** | **2,106** | **3,202** | **2,771** |

## 5. SHAREHOLDINGS AND DIRECTORS' DEALINGS

In the first quarter of 2015 no reportable transactions pursuant to Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz - WpHG) were made with shares or options by members of the Management Board or Supervisory Board.

The following overviews show the shares and stock options held by members of the Management Board and Supervisory Board as at the 31 March 2015 reporting date as well as changes in these holdings compared to the start of the year.

Number of shares

| | Shares 01.01.2015 | Purchase | Sale | Shares 31.03.2015 |
|---|---|---|---|---|
| **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 | 7,500 | 0 | 0 | 7,500 |
| **Shares held by the Supervisory Board** | **26,093** | **0** | **0** | **26,093** |

Number of stock options

| | Options 01.01.2015 | Additions | Expired | Exercised | Options = maximum number of shares 31.03.2015 |
|---|---|---|---|---|---|
| **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

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

# FINANCIAL CALENDAR

## // FINANCIAL CALENDAR 2015

| | |
|---|---|
| Annual General Shareholders' Meeting, Munich, Germany | 29 June 2015 |
| Consolidated Half-Year Financial Report (Q2/2015) | 6 August 2015 |
| 9-Month Consolidated Financial Report (Q3/2015) | 11 November 2015 |
| Analyst Conference – German Equity Forum Frankfurt a. M., Germany | 23.–25 November 2015 |

# PUBLISHING INFORMATION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