

3 MONTHS FINANCIAL REPORT :: 31 MARCH 2011 (IFRS)

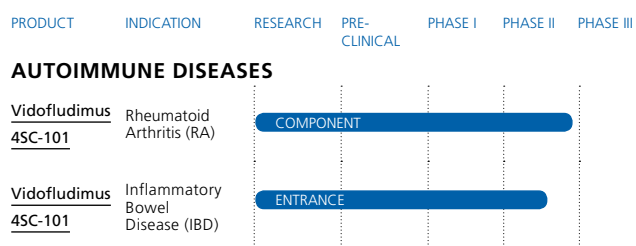
## TAILORED DRUGS FOR STRONG PATIENT BENEFIT.

BY PEOPLE. WITH PEOPLE. FOR PEOPLE.

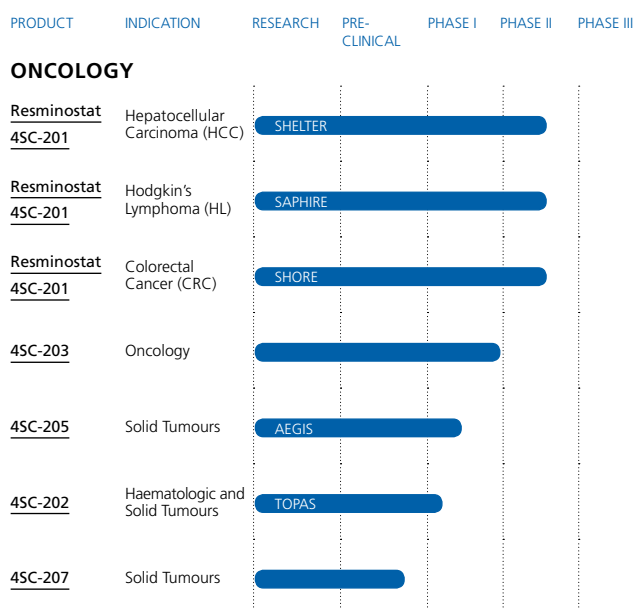


## :: 4SC IN BRIEF

### :: 01 4SC PRODUCT PIPELINE "AUTOIMMUNE DISEASES"



### :: 02 4SC PRODUCT PIPELINE "ONCOLOGY"



### :: 03 ACHIEVEMENTS

ON THE BASIS OF OUR BALANCED CLINICAL PIPELINE AND CONTINUOUS RESEARCH INTO NEW, VALUE-DRIVEN PROGRAMMES, WE AIM TO BECOME A LEADING PARTNER TO GLOBAL BIOTECHNOLOGY AND PHARMACEUTICAL COMPANIES FOR TARGETED, INNOVATIVE, SMALL-MOLECULE DRUGS IN THE INDICATIONS OF AUTOIMMUNE DISEASES AND ONCOLOGY. OUR RESULTS IN THE FIRST QUARTER OF 2011 HAVE ONCE AGAIN BROUGHT US AN IMPORTANT STEP CLOSER TO THIS GOAL.

#### HIGHLIGHTS IN THE FIRST QUARTER 2011

- :: 4SC-203 – Publication of the results from the Phase I clinical study with the multi-kinase inhibitor
- :: Resminostat – Commencement of the Phase I/II SHORE study in the third target indication of colon cancer in patients with k-ras mutated tumours
- :: Vidofludimus – Presentation of the final results from the Phase IIa ENTRANCE study in inflammatory bowel disease
- :: Capital increase – Successful placement of 3,452,647 new shares with new European and US-based institutional investors at a price of €3.40 per share. The gross issue proceeds amounted to approximately €11.74 million.

### :: 04 KEY FINANCIAL FIGURES

	Q1. 2011 resp. 31.03.2011	Q1. 2010 resp. 31.03.2010	Change in %
<b>FINANCIAL KEY FIGURES (IN €000'S)</b>			
Revenue	0	280	- 100
Operating profit/loss	- 4,787	- 5,274	9
Profit/loss for the period	- 4,697	- 5,267	11
Equity	37,630	45,733	- 18
Equity ratio	91.4%	93.8%	- 2.4%P
Total assets	41,192	48,774	- 16
Cash flows from operating and investing activities	- 10,469	- 4,562	129
Cash flows from financing activities	11,034	0	n/a
Net change in cash and cash equivalents	565	- 4,562	n/a
Cash and cash equivalents	5,521	30,959	- 82
Cash balance/funds	24,592	30,959	- 21
Earnings per share (basic and diluted) (€)	- 0.12	- 0.14	14
<b>EMPLOYEES</b>			
Number of employees and Management Board members (at end of period)	94	94	0

02	<b>LETTER TO THE SHAREHOLDERS</b>
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4SC researches and develops innovative, orally administered small-molecule drugs for autoimmune diseases and cancer – indications with a high unmet medical need. The aim is for these targeted therapies to provide better efficacy and a lower side-effect profile than existing treatments and to offer greater benefits and new hope for patient groups that have been specifically selected for treatment. Thanks to its balanced clinical pipeline and continuous research into new, value-creating programmes, 4SC is evolving into an attractive partner for pharmaceutical and global biotechnology companies.

**BY PEOPLE. WITH PEOPLE. FOR PEOPLE.**

## :: LETTER TO THE SHAREHOLDERS

DEAR SHAREHOLDERS,

The new financial year got off to a good start. We successfully implemented a capital increase by placing shares with new European and US-based institutional investors and reported major successes from our clinical pipeline. Shortly after the end of the reporting period, we also announced the conclusion of our first partnership in our most important oncology development programme, resminostat. The pharmaceutical company Yakult Honsha will develop resminostat for the Japanese market. These achievements have gone a long way towards validating our business strategy and our clinical development work, both on the capital markets and in the industry.

Both transactions were achieved successfully in an extremely critical environment. The completion of our capital increase on 24 February 2011 took place at a time of substantial upheaval and trepidation in the Arab world. Our partnership with Yakult, the Japanese pharmaceutical company, was overshadowed by the tragic natural disaster in Japan and the nuclear accident in Fukushima. Yakult Honsha was also impacted by these devastating events. In light of these dramatic circumstances, we are very thankful that our new investors and our new partner Yakult have attached such importance to the conclusion of these transactions with us.

The strong interest in 4SC and the approval expressed by our license transaction are extremely important to us, especially in this financial year. Following our drug development successes over the past 24 months, we now expect efficacy data in 2011

from several Phase II studies on our two lead compounds, vidofludimus and resminostat. The early commercial recognition of resminostat, even before the final results from the ongoing studies, is therefore an important validation of our long-standing drug development and underlines the huge commercial potential of our programmes.

We have also made progress in our other clinical programmes on schedule; the evaluation of the major Phase IIb study with vidofludimus in rheumatoid arthritis is going according to plan and is expected to deliver top-line results in the second quarter of 2011. Other Phase II results are anticipated in 2011 on resminostat in two indications: liver cancer and Hodgkin's lymphoma.

Motivated by the successful start to the new financial year, we are looking forward to the rest of what we expect will be an eventful 2011 with a great deal of confidence. Our thanks go to our new and existing investors, our employees and business partners.

Yours sincerely,



Dr Ulrich Dauer  
Chief Executive Officer

# :: INTERIM MANAGEMENT REPORT

## 1. BUSINESS PERFORMANCE

### 1.1 CURRENT DEVELOPMENTS IN THE BIOTECH SECTOR

By all accounts, the first three months of the year 2011 may be described as an extremely volatile period. Together with the political unrest in the Arab states, the capital markets were also affected by natural disasters and the alarming nuclear accident. The devastation caused by Japan's major earthquake caused a temporary slump in the capital markets. The biotech indices did not escape the effects of these developments. It was only in late March that the US markets – boosted by M&A activities and positive product news – once again reported a strong return to form, with a cautious recovery also getting underway in Europe.

At a global level, the mood in the sector was underpinned by over 20 product approvals, although the industry also had to cope with over 50 clinical and regulatory setbacks. One very positive event for the sector was the acquisition of Genzyme by Sanofi-Aventis in February, for \$20.1 billion.

Worldwide, a total of seven biotechnology companies went public in the first quarter, five of these in the USA. The IPOs enabled the companies to raise between \$14 and \$86 million in capital – representing a total of approximately \$325 million for the quarter. In terms of listed companies, the global biotech sector was able to raise a total of \$11.8 billion, the highest quarterly figure since the first quarter of 2000. This development permits bankers and investors to be optimistic about the second quarter. 4SC was also one of the companies enjoying success on the capital market when it managed to place its capital increase with German and international investors for total gross issue proceeds of just under €12 million.

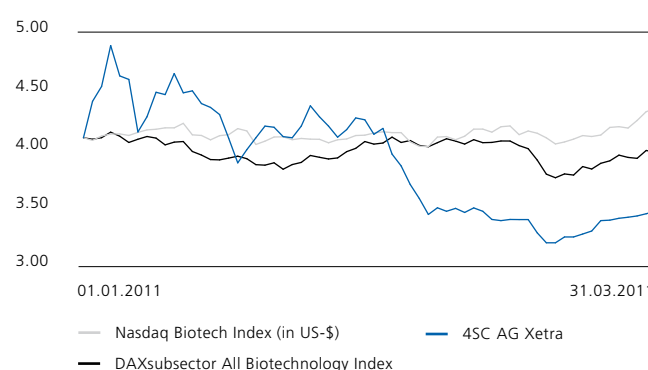
Considering the fact that no less than 59 companies have Phase III and regulatory results pending, industry observers are expecting a moderate rise in activity for the second quarter of 2011. The Annual Meeting of the American Society of Clinical Oncology (ASCO) in early June also provides further hope for a positive market sentiment.

### 1.2 4SC SHARE PRICE PERFORMANCE

4SC shares started the year on a strong note on 3 January 2011, opening the first quarter of 2011 at €4.10. Just three days afterwards, the stock reached its highest XETRA closing price for the quarter of €4.89. In mid-March, impacted by the weakness on the global capital markets, 4SC shares dropped to a low of €3.20 before rallying again towards the end of the quarter, closing at €3.47 on 31 March 2011 after a closing price of €3.51 on 31 December 2010. The DAXsubsector All Biotechnology Index also posted a decline of 3.1% in the first quarter, contrasting with the Nasdaq Biotech Index, which climbed 6.1% in the same period.

The sharp rise in the liquidity of 4SC shares is a noteworthy development. The average daily trading volume on XETRA in the first three months of the year was 31,614 shares, marking a new record quarter in which the trading volume almost tripled compared with the same quarter in 2010. This encouraging trend clearly points to greater interest in 4SC shares.

:: 05 SHARE PRICE IN €, INDEXED ON 4SC



The intensive communication with German and international investors in the previous year was not only reflected in the stock's improved liquidity in the first quarter of 2011. Following the exclusion of existing shareholders' subscription rights, exclusively new institutional investors from Germany, Benelux, Scandinavia and the United States also participated in the capital increase on 24 February 2011, which generated gross issue proceeds of approximately €11.74 million. This widened the shareholder base and raised the free float to 25.99%.

4SC will also continue to actively expand its communication with private and institutional investors.

:: 06 THE 4SC SHARE

	Q1.2011	Q1.2010
Number of shares issued (average, in 000's.)	39,922	38,503
Free float (%)	26.0	19.4
3-month high (Xetra) (€)	4.89	3.28
3-month low (Xetra) (€)	3.20	2.90
Price at beginning of quarter/year (Xetra) (€)	4.10	3.02
Closing price at end of quarter (Xetra) (€)	3.47	3.00
Market capitalisation at end of quarter (€000's)	145,585	115,508
Average daily trading volume (Xetra, shares)	31,614	12,801

## 1.3 BUSINESS REVIEW

### 1.3.1 HIGHLIGHTS

4SC enjoyed a very successful start to the 2011 financial year, as the Company systematically pursued its strategy of establishing itself as the leading developer of targeted, small-molecule therapies in the areas of autoimmune diseases and cancer.

In the first quarter of 2011, 4SC not only announced the results from a Phase I study with the 4SC-203 compound from its oncology portfolio but also commenced a further clinical Phase I/II study (SHORE study) with its lead compound resminostat for the treatment of patients with k-ras mutated colorectal cancer (CRC). In addition, the Company also published final data from the Phase IIa ENTRANCE study of vidofludimus in inflammatory bowel disease (IBD), which once again confirmed the top-line result announced at the end of 2010. The primary endpoint was met with a response rate of 88.5%.

In February 2011, 4SC successfully completed a capital increase. The Company placed 3,452,647 new shares with new institutional investors at a price of €3.40 per share, thus generating gross issue proceeds of around €11.74 million. The number of no-par value bearer shares rose accordingly from 38,502,739 to 41,955,386. Given its current capital resources, the Company believes it is very well placed to achieve its development goals in the coming months and to conclude licensing deals for one or more of its programmes.

### 1.3.2 CLINICAL PROGRAMMES OVERVIEW

**AUTOIMMUNE DISEASES** :: In the field of autoimmune diseases, the focus in the reporting period was on the publication of the final data from the Phase IIa ENTRANCE study with vidofludimus, an orally administered interleukin-17 (IL-17) and DHODH inhibitor for the treatment of IBD patients. The data, presented at the 6th ECCO IBD Conference in Dublin, Ireland, confirmed the top-line result already published in November 2010, and thus the achievement of the primary endpoint with an outstanding response rate of 88.5% with no serious adverse events (SAEs) observed. In addition to the primary endpoint, the data also contained secondary endpoints from the study: these included the analysis of CDAI disease parameters for Crohn's disease (CD) and CAI parameters for ulcerative colitis (UC), changes to the intake and threshold doses of prednisolone, plus safety, pharmacokinetics and biomarker data. It was particularly satisfying that the prednisolone doses required to ensure patients suffered no further disease flare-ups were considerably lower following the conclusion of treatment with vidofludimus than the average doses required prior to entry into the study. In the course of the treatment period, the average intake of prednisolone was reduced dramatically. Following the conclusion of treatment, the prednisolone threshold doses for partial responders were markedly lower than the threshold doses documented before entry into the study.

Parallel to the final evaluation of the data from the above-mentioned IBD study, the Phase IIb COMPONENT study also progressed during the first quarter of 2011. This study examines vidofludimus in patients suffering from rheumatoid arthritis

(RA). With patient recruitment for this study already completed by December 2010, the Company expects to achieve the corresponding results from the study in the second quarter of 2011.

**ONCOLOGY** :: As regards its oncology portfolio, 4SC began the year by announcing the successful completion of its Phase I study with the intravenously administered, small-molecule multi-kinase inhibitor 4SC-203 in healthy volunteers. In this randomised, double-blind and placebo-controlled Phase I dose escalation study, the safety, tolerability, and pharmacokinetics of a single dose of 4SC-203 was assessed in 60 healthy, male volunteers aged 20 to 46 years. 4SC-203 was well tolerated by all subjects. Serious adverse events (SAEs) were not observed. Intake of 4SC-203 did not lead to any changes in physical or laboratory parameters. Pharmacokinetics of 4SC-203 in the investigated range displayed the expected dose-dependent exposure. Overall, these Phase I data provide an excellent basis for the further clinical development of 4SC-203.

Furthermore, the first quarter of 2011 also saw 4SC announcing the start of the Phase I/II SHORE study with the oral pan-histone deacetylase (HDAC) inhibitor resminostat as a second-line therapy in colorectal cancer patients with k-ras mutations. SHORE is a randomised, open-label, multi-centre and two-arm Phase I/II study with 70 patients. It aims to investigate the efficacy, safety and pharmacokinetics of resminostat in combination with the FOLFIRI chemotherapy treatment regimen as compared with monotherapy with FOLFIRI. The study is to be performed in up to ten centres in Germany. The primary endpoint of the study is to determine the progression free survival (PFS). The secondary endpoints include progression free survival rate (PFSR) after eight weeks and every eight weeks thereafter, the analysis of time-to-progression (TTP), overall survival (OS), analysis of drug safety, tolerability, pharmacokinetics and the investigation of biomarkers. Initial interim results from this study are expected in 2012.

In addition, resminostat is currently being examined in two further Phase II studies (SAPHIRE and SHELTER) for the treatment of Hodgkin's lymphoma and hepatocellular carcinoma. The results from both these studies are expected in the course of the 2011 financial year.

In conducting these three studies, 4SC has now completed its three-pillar strategy for resminostat in the first quarter of 2011.

Shortly after the end of the reporting period, 4SC also announced the conclusion of a licensing deal with Yakult Honsha concerning the development and commercialisation of resminostat in Japan. For details, please consult „Events after the Reporting Period“ on page 6 of this quarterly report.

The Phase I study of the Eg5 inhibitor 4SC-205 also progressed according to plan in the first quarter of 2011. Initial study results are expected later in the year.

### 1.3.3 PRECLINICAL PROJECTS OVERVIEW

In addition to the programmes described above, 4SC's also develops new, innovative drug candidates to ensure that it has a continuous stream of clinical products in its pipeline.

One area of particular focus in the first quarter of 2011 was preparatory work for the start of a Phase I study with the second HDAC inhibitor 4SC-202. This compound has an especially well-differentiated target profile. In April 2011 – i.e. shortly after the end of the reporting period – 4SC reported the recruitment of the first patients for this study and thus the start of the Phase I TOPAS study with this compound.

#### 1.3.4 STAFF

As at 31 March 2011, 4SC had a staff of 90 employees (of whom 68 employees, or 72%, work in research and development) and four Management Board members. This is essentially the same number as at the end of 2010. The number of staff also remained the same compared with 31 March 2010.

## 2. FINANCIAL POSITION, CASH FLOWS AND FINANCIAL PERFORMANCE

### 2.1 FINANCIAL PERFORMANCE

**REVENUE** :: No revenue was generated in the first quarter of the year, compared with €280 thousand in the prior-year period. As a result of the systematic scaling back of research collaborations, 4SC was able to continue its focus on internal development programmes.

**OPERATING EXPENSES** :: The decrease in the cost of sales from €114 thousand in the prior-year period to €0 in the first quarter of 2011 reflects the drop in revenue. At the same time, research and development costs declined from €4,499 thousand to €3,679 thousand, while still accounting for the lion's share of operating expenses at 77%. The costs of the eight on-going clinical studies were down slightly in the first quarter because the two successfully completed clinical studies (ENTRANCE and 4SC-203) resulted in reduced expenses and the two new studies (SHORE and TOPAS) will generate costs only later in connection with patient recruitment and outsourced scientific services. Higher income from research grants of €203 thousand compared with €78 thousand in the year-earlier period had an offsetting effect, however. The 8% increase in administrative costs from €890 thousand to €965 thousand is mainly attributable to staff costs as well as to higher legal and consulting costs. Distribution costs generated by the Business Development and Public Relations areas also rose in the reporting period to €144 thousand from €60 thousand in the same quarter in 2010. This increase is a result of the reinforcement of measures in Business Development during the first quarter of 2011.

**OPERATING PROFIT/LOSS** :: The Company's loss from operating activities decreased on the back of the situation described above. The operating loss posted for the first three months of 2011 amounted to €4,787 thousand, down from €5,274 thousand in the first quarter of 2010.

**NET FINANCE INCOME/LOSS** :: The net finance loss of €1 thousand in the first quarter of 2010 improved to net finance income of €78 thousand in the reporting period. 4SC's investment income from its equity interest in quattro research GmbH amounted to €31 thousand (previous year: €-11 thousand) and is presented as profit from investments accounted for using the equity method. At €57 thousand in the first quarter of 2011 (previous year: €13 thousand), finance income exhibited a positive trend, though exchange rate differences increased finance costs to €10 thousand from €7 thousand in the prior-year period.

**PROFIT/LOSS FOR THE PERIOD** :: The loss for the period from January to March 2011 declined by 11% to €4,697 thousand, from €5,267 thousand in 2010.

**EARNINGS PER SHARE** :: On account of the lower loss for the period and as a consequence of the capital increase in February 2011 and the related increase in the average number of shares, both the basic and the diluted loss per share decreased by €0.02 to €-0.12 compared with the first three months of 2010 (€-0.14).

### 2.2 FINANCIAL POSITION

**NON-CURRENT ASSETS** :: Non-current assets fell slightly to €15,361 thousand as at 31 March 2011 from €15,631 thousand at the end of the 2010 financial year. Intangible assets remained the largest item of non-current assets at €13,800 thousand (31 December 2010: €14,012 thousand), followed by property, plant and equipment of €1,294 thousand (31 December 2010: €1,383 thousand).

**CURRENT ASSETS** :: This item reflects the capital increase that 4SC successfully implemented in February 2011. At €25,831 thousand, current assets were up substantially on the 31 December 2010 figure of €19,100 thousand, largely due to the increase in funds (comprising cash and cash equivalents and other financial assets) from €17,607 thousand to €24,592 thousand.

**EQUITY** :: The increase in equity from €31,210 thousand as at 31 December 2010 to €37,630 thousand as at 31 March 2011 and the related increase in the equity ratio of 1.5 percentage points from 89.9% to 91.4% results from the capital increase completed in the first quarter of 2011 as part of which 3,452,647 shares were issued at a price of €3.40 per share. The share capital thus rose by €3,452 thousand, from €38,503 thousand to €41,955 thousand. Similarly, the number of shares increased by 3,452,647, from 38,502,739 to 41,955,386.

The loss of €4,697 thousand in the first three months of 2011 had an offsetting effect, pushing up the accumulated deficit from €76,447 thousand to €81,144 thousand.

**CURRENT AND NON-CURRENT LIABILITIES** :: Compared with 31 December 2010, non-current liabilities rose from €60 thousand to €116 thousand. Current liabilities, on the other hand, remained almost unchanged, decreasing slightly from €3,461 thousand to €3,446 thousand against 31 December 2010. The largest item under current liabilities was other liabilities, which principally comprise unbilled external services.

**TOTAL ASSETS/TOTAL EQUITY AND LIABILITIES** :: Total assets/total equity and liabilities amounted to €41,192 thousand as at 31 March 2011, up almost 20% on the end-of-year figure of €34,731 thousand.

### 2.3 CASH FLOWS

**CASH FLOWS FROM OPERATING ACTIVITIES** :: Cash totalling €4,011 thousand was used for operating activities in the first three months of 2011. The change compared with the pre-tax loss of €4,709 thousand is attributable to adjustments for non-cash items in the statement of comprehensive income (principally straight-line depreciation and amortization plus stock options) and also to changes in items in the statement of financial position that had a positive effect on cash flows (reduction of trade accounts receivable). In the prior-year period, cash flows from operating activities came to €4,480 thousand with a pre-tax loss of €5,275 thousand.

**CASH FLOWS FROM INVESTING ACTIVITIES** :: The cash outflows from investing activities in the reporting period amounted to €6,458 thousand, compared with €82 thousand as at 31 March 2010. The Company invested €3 thousand (previous year: €0 thousand) in intangible assets and €30 thousand (previous year: €182 thousand) in property, plant and equipment in the first quarter of 2011. The acquisition of financial instruments in the amount of €9,500 thousand (previous year: €0 thousand) with a simultaneous cash inflow from the sale of financial instruments of €3,075 thousand (previous year: €100 thousand) results in net cash outflows of €6,425 thousand.

**CASH FLOWS FROM FINANCING ACTIVITIES** :: The net cash flows of €11,034 from financing activities in the reporting period is due to the capital increase on 24 February 2011. No capital measure was executed in the previous year.

**FUNDS** :: Cash and cash equivalents amounted to €5,521 thousand at the end of the reporting period. Additional funds in the amount of €19,071 thousand were invested in short-term fixed and variable-interest securities and fixed-term deposits. As at 31 March 2011, the Company had cash and available-for-sale securities totalling €24,592 thousand, compared with €17,607 thousand at the end of 2010.

## 3. REPORT ON RISKS AND OPPORTUNITIES

Please see the management report as at 31 December 2010 for a detailed description of the risks and opportunities arising from our business activities as well as of our IT-based risk management and controlling system. No major changes have occurred since then with respect to our situation in terms of risks and opportunities. The occurrence of any one of the risks described in the annual report or below – alone or in conjunction with each other – could have a negative impact on the financial position, cash flows and financial performance of 4SC.

## 4. EVENTS AFTER THE REPORTING PERIOD

On 13 April 2011, shortly after the end of the reporting period, 4SC announced the start of a clinical Phase I study with the compound 4SC-202 titled „TOPAS“. The study is evaluating the safety, pharmacokinetics and clinical efficacy of the orally administered compound in patients with advanced haematological indications. 4SC-202 complements the pan-HDAC inhibitor resminostat as the second HDAC inhibitor in 4SC's oncology portfolio. In contrast to resminostat, 4SC-202 is a selective Class I HDAC inhibitor that has already demonstrated strong anti-tumoral activity in a number of preclinical in vitro and in vivo models. It also possesses good pharmacokinetic properties and has been proven to be generally well-tolerated. Furthermore, the compound has also shown especially strong anti-mitotic activity, which suppresses the process of cell division and leads to the death of tumour cells (apoptosis).

For resminostat, 4SC announced an exclusive license agreement with Yakult Honsha Co., Ltd. on 14 April 2011 concerning the development and commercialisation of the compound in Japan. Through this agreement 4SC is receiving an upfront payment from Yakult Honsha of €6 million, plus up to €127 million on achieving certain milestones, including clinical and regulatory events in Japan. In addition to these payments, Yakult Honsha will also pay 4SC double-digit percentage royalties on revenues from the sale of resminostat. These include costs for manufacturing the compound (i.e., the active pharmaceutical ingredients, APIs). 4SC will be the exclusive supplier of resminostat to Yakult Honsha. Yakult Honsha will be responsible for the continued clinical development of resminostat in Japan for hepatocellular cancer (HCC), colorectal cancer (CRC) and other selected oncology indications. One of Japan's leading businesses, Yakult Honsha focuses on the development and marketing of pharmaceuticals, foodstuffs, beverages and cosmetics. Moreover, Yakult Honsha is also continuously expanding its oncology drug business.

## 5. ANTICIPATED DEVELOPMENTS

For 4SC, the 2011 financial year is of particular importance. The Company is expecting final Phase II data from three clinical studies and, with this, the potential proof-of-concept for vidofludimus in rheumatoid arthritis (RA) and for resminostat in the two indications of hepatocellular carcinoma (HCC) and Hodgkin's lymphoma (HL). Alongside data evaluation, 4SC is continuing efforts to intensify discussions with potential licensing partners for all current clinical programmes.

In the second quarter of 2011, 4SC plans to present top-line data from the Phase IIb COMPONENT study with vidofludimus in RA. Positive results for the Phase IIa study in inflammatory bowel disease (IBD) were already reported in November 2010 and towards the end of February 2011. Should the data from the COMPONENT study provide further confirmation of the highly promising potential of vidofludimus in the treatment of autoimmune diseases, this will once again considerably increase the value of the product as regards potential licensing deals.

In its oncology portfolio, 4SC expects final results from two Phase II studies for resminostat in 2011 in the indications HCC and HL. Encouraging data from these two studies have already been published. Here, too, further confirmation of the current positive dataset would lead to a considerable increase in product value for both 4SC and for potential licensing partners. After the reporting period, 4SC announced the first exclusive license agreement for resminostat with the Japanese company Yakult Honsha for the further development and marketing in Japan in the indications HCC and CRC.

Since 4SC has already commenced a third clinical Phase I/II study with resminostat in CRC patients with k-ras mutations – titled „SHORE“ – in January 2011, this now marks the completion of the three-pillar strategy that 4SC is pursuing with this compound. Initial data from the SHORE study are expected in 2012.

Two more Phase I programmes will strengthen the clinical oncology pipeline in 2011. Positive Phase I data were reported for 4SC-203 in January 2011. Phase I results for 4SC-205 are also expected during the course of 2011.

A further Phase I study with 4SC-202, the second HDAC inhibitor owned by 4SC, was commenced in April 2011, shortly after the end of the reporting period. Initial data from this study are likely to be published in 2012.

4SC has a solid financial basis. Accordingly, and not least on account of the successful implementation of its capital increase in February 2011, the Company believes it has a very strong position from which to achieve its set development goals for the coming months as well as to negotiate additional possible licensing partnerships for one or several of its programmes.

Planegg-Martinsried, 2 May 2011



Dr Ulrich Dauer, CEO



Dr Bernd Hentsch, CDO



Dipl.-Kfm. Enno Spillner, CFO



Dr Daniel Vitt, CSO

# :: INTERIM FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2011 (UNAUDITED)

in €000's	3M 2011	3M 2010
Revenue	0	280
Cost of sales	0	- 114
<b>GROSS PROFIT</b>	<b>0</b>	<b>166</b>
Distribution costs	- 144	- 60
Research and development costs	- 3,679	- 4,499
Administrative costs	- 965	- 890
Other income	1	9
<b>OPERATING PROFIT/LOSS</b>	<b>- 4,787</b>	<b>- 5,274</b>
<b>NET FINANCE INCOME/LOSS</b>		
Share in the profit of equity-accounted investees	31	- 11
Finance income	57	13
Finance costs	- 10	- 3
<b>NET FINANCE INCOME/LOSS</b>	<b>78</b>	<b>- 1</b>
<b>EARNINGS BEFORE TAXES</b>	<b>- 4,709</b>	<b>- 5,275</b>
Income tax	12	8
<b>PROFIT/LOSS FOR THE PERIOD = COMPREHENSIVE INCOME/LOSS</b>	<b>- 4,697</b>	<b>- 5,267</b>
Earnings per share (basic and diluted; in €)	- 0.12	- 0.14

## STATEMENT OF FINANCIAL POSITION – ASSETS

FOR THE PERIOD ENDED 31 MARCH 2011 (UNAUDITED)

in €000's	31.03.2011	31.12.2010
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets	13,800	14,012
Property, plant and equipment	1,294	1,383
Investments accounted for using the equity method	121	90
Other financial assets	146	146
<b>TOTAL NON-CURRENT ASSETS</b>	<b>15,361</b>	<b>15,631</b>
<b>CURRENT ASSETS</b>		
Inventories	22	21
Trade accounts receivable	0	281
Receivables from investees	0	0
Other financial assets	19,071	12,651
Cash and cash equivalents	5,521	4,956
Current tax assets	255	249
Other assets	962	942
<b>TOTAL CURRENT ASSETS</b>	<b>25,831</b>	<b>19,100</b>
<b>TOTAL ASSETS</b>	<b>41,192</b>	<b>34,731</b>

## STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

FOR THE PERIOD ENDED 31 MARCH 2011 (UNAUDITED)

in €000's	31.03.2011	31.12.2010
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Subscribed capital	41,955	38,503
Share premium	75,418	67,836
Reserves	1,401	1,318
Accumulated deficit	- 81,144	- 76,447
<b>TOTAL EQUITY</b>	<b>37,630</b>	<b>31,210</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	1	13
Other liabilities	115	47
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>116</b>	<b>60</b>
<b>CURRENT LIABILITIES</b>		
Trade accounts payable	998	968
Accounts payable to associates	0	29
Provisions	45	45
Other liabilities	2,403	2,419
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,446</b>	<b>3,461</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>41,192</b>	<b>34,731</b>

# STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2011 (UNAUDITED)

in €000's

3M 2011

3M 2010

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Earnings before tax	- 4,709	- 5,275
<i>Adjustment for statement of comprehensive income items</i>		
Depreciation and amortisation	334	339
Net finance income/loss	- 78	1
Stock options	83	91
Other non-cash items	33	9
<i>Changes in statement of financial position items</i>		
Inventories	- 1	0
Trade accounts receivable	281	202
Current tax assets	- 6	- 1
Other assets	- 20	98
Trade accounts payable	30	- 151
Accounts payable to associates	- 29	- 29
Other liabilities	52	235
Interest received	20	2
Interest paid	- 1	- 1
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>- 4,011</b>	<b>- 4,480</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of intangible assets	- 3	0
Purchase of property, plant and equipment	- 30	- 182
Purchase of financial investments	- 9,500	0
Sale of financial investments	3,075	100
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>- 6,458</b>	<b>- 82</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments to subscribed capital	3,452	0
Payments to share premium	7,582	0
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>11,034</b>	<b>0</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>565</b>	<b>- 4,562</b>
+ Cash and cash equivalents at the beginning of the period	4,956	35,521
<b>= CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>5,521</b>	<b>30,959</b>

## STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2011 (UNAUDITED)

in €000's	Subscribed capital	Share premium	Reserves			Accumulated deficit	Total
			Reserves stock options	Retained earnings	Revaluation surplus		
<b>BALANCE ON 01.01.2010</b>	<b>38,503</b>	<b>67,836</b>	<b>875</b>	<b>67</b>	<b>0</b>	<b>- 56,372</b>	<b>50,909</b>
Options issued (ESOP 2004/2005)			1				1
Options issued (ESOP 2004/2006/1)			0				0
Options issued (ESOP 2006/2006/2)			7				7
Options issued (ESOP 2006/2007)			0				0
Options issued (ESOP 2006/2008)			5				5
Options issued (ESOP 2009/2009)			78				
Comprehensive income/loss 01.01-31.03.2010						- 5,267	- 5,267
<i>Profit/loss for the period 01.01.-31.03.2010</i>						- 5,267	- 5,267
<b>BALANCE ON 31.03.2010</b>	<b>38,503</b>	<b>67,836</b>	<b>966</b>	<b>67</b>	<b>0</b>	<b>- 61,639</b>	<b>45,733</b>
<b>BALANCE ON 01.01.2011</b>	<b>38,503</b>	<b>67,836</b>	<b>1,251</b>	<b>67</b>	<b>0</b>	<b>- 76,447</b>	<b>31,210</b>
Options issued (ESOP 2004/2006/1)			0				0
Options issued (ESOP 2006/2007)			1				1
Options issued (ESOP 2006/2008)			2				2
Options issued (ESOP 2009/2009)			79				79
Options issued (ESOP 2009/2010)			1				1
Capital increase 24.02.2011	3,452	7,582					11,034
Comprehensive income/loss 01.01-31.03.2011						- 4,697	- 4,697
<i>Profit/loss for the period 01.01.-31.03.2011</i>						- 4,697	- 4,697
<b>BALANCE ON 31.03.2011</b>	<b>41,955</b>	<b>75,418</b>	<b>1,334</b>	<b>67</b>	<b>0</b>	<b>- 81,144</b>	<b>37,630</b>

## :: SELECTED NOTES

TO THE INTERIM FINANCIAL STATEMENTS AS AT 31 MARCH 2011 (UNAUDITED)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 BASIS OF PREPARATION

This interim report was 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.

These interim financial statements represent the separate financial statements of Germany-based 4SC and in addition to 4SC also take account of the following companies:

Company/Domicile	Measured as	Measured acc. to
quattro research GmbH, Planegg-Martinsried	Associate	IAS 28
Nexigen GmbH, Bonn	Equity investment	IAS 39
Quiescence Technologies LLC., Melbourne, Florida, USA	Equity investment	IAS 39

The Management Board approved the interim report for release on 2 May 2011. 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 27 May 2010) was held via teleconference on 27 April 2011.

#### 1.2 GENERAL DISCLOSURES

The accounting policies applied and estimates made correspond to those used for the financial statements for the year ending 31 December 2010.

4SC does not at this time provide segment reporting, as it does not show clearly distinct financial information for separate business areas, i.e. there are no reportable segments. The operating activities are not subject to seasonal influences.

### 2. EARNINGS PER SHARE

The basic earnings per share are calculated in accordance with IAS 33.9 ff. by dividing the profit/loss for the period attributable to the shareholders (numerator) by the average weighted number of shares outstanding in the reporting period (denominator).

	3M 2011	3M 2010
Based on profit/loss for the period (in €000's)	- 4,697	- 5,267
Based on average number of shares (in thsd.)	39,922	38,503
<b>EARNINGS PER SHARE (BASIC AND DILUTED, IN €)</b>	<b>- 0.12</b>	<b>- 0.14</b>

Given 4SC's loss, the options issued are not dilutive. As a result, the diluted and basic earnings per share are identical.

### 3. NOTES TO THE CASH BALANCE

In addition to cash and cash equivalents, 4SC has liquid funds that are predominantly invested for better return in fixed deposits, borrower's note loans, a fixed-interest bond and money market funds. Taken together, these items comprise the cash balance/funds:

in €000's	31.03.2011	31.12.2010	31.03.2010
Cash and cash equivalents at the end of the period	5,521	4,956	30,959
Other financial assets	19,071	12,651	0
<b>CASH BALANCE/FUNDS</b>	<b>24,592</b>	<b>17,607</b>	<b>30,959</b>

## 4. SHAREHOLDINGS AND DIRECTORS' DEALINGS

In the first quarter of 2011 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 2011 reporting date as well as changes in these holdings compared to the start of the year.

Number of shares	Shares 01.01.2011	Purchase	Sale	Shares 31.03.2011
<b>MANAGEMENT BOARD</b>				
Dr Ulrich Dauer	437,439	0	0	437,439
Dr Daniel Vitt	416,803	0	0	416,803
Dipl.-Kfm. Enno Spillner	70,000	0	0	70,000
<b>SHARES HELD BY THE MANAGEMENT BOARD</b>	<b>924,242</b>	<b>0</b>	<b>0</b>	<b>924,242</b>
<b>SUPERVISORY BOARD</b>				
Dr Jörg Neermann	100,000	0	0	100,000
Dr Manfred Rüdiger	16,000	0	0	16,000
Dr Clemens Doppler	9,875	0	0	9,875
Dr Thomas Werner	5,000	0	0	5,000
<b>SHARES HELD BY THE SUPERVISORY BOARD</b>	<b>130,875</b>	<b>0</b>	<b>0</b>	<b>130,875</b>

Number of stock options	Options 01.01.2011	Additions	Expired	Exercised	Options 31.03.2011	Maximum number of shares
<b>MANAGEMENT BOARD</b>						
Dr Ulrich Dauer	152,200	0	0	0	152,200	147,400
Dr Daniel Vitt	152,200	0	0	0	152,200	147,400
Dr Bernd Hentsch	152,720	0	0	0	152,720	152,720
Dipl.-Kfm. Enno Spillner	249,600	0	0	0	249,600	236,400
<b>OPTIONS HELD BY THE MANAGEMENT BOARD</b>	<b>706,720</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>706,720</b>	<b>683,920</b>

## 5. RELATED PARTY TRANSACTIONS

In the reporting period there were the following changes regarding transactions with related parties compared to the transactions reported in the annual financial statements as at 31 December 2010.

**DONNER & REUSCHEL BANK, HAMBURG (DRB) ::** In February 2011, 4SC entered into an agreement with KEMPEN & CO Corporate Finance B.V. for the execution of 4SC's capital increase in the first quarter of 2011. This agreement stipulates fees to be paid to Donner & Reuschel Bank (DRB), which was also involved in the transaction. One of Donner & Reuschel Bank's Management Board members, Marcus Vitt, is a brother of 4SC's CSO, Dr Daniel Vitt. In the reporting period, 4SC incurred expenses related to the capital increase with DRB amounting to €63 thousand; these transaction costs were posted against equity.

## 6. FINANCING MEASURES

4SC completed a capital increase on 24 February 2011. The Company received gross profits of €11.74 million from issuing 3,452,647 shares at a price of €3.40 per share. The effects of this capital increase on 4SC's financial position and cash flows are explained in the quarterly management report under items 2.2. and 2.3.

## 7. EVENTS AFTER THE REPORTING PERIOD

For resminostat, 4SC announced an exclusive license agreement with Yakult Honsha Co., Ltd. on 14 April 2011, concerning the development and commercialisation of the compound in Japan. The agreement sees 4SC receiving an upfront payment from Yakult Honsha of €6 million, plus up to €127 million on achieving certain milestones, including clinical and regulatory events in Japan. In addition to these payments, Yakult Honsha will also pay 4SC double-digit percentage royalties on revenues from the sale of resminostat. These include costs for manufacturing the compound (i.e., the active pharmaceutical ingredients, APIs).

For more information regarding further events after the reporting period, please see section 4 of the interim management report. They have no direct, significant effect on 4SC's financial position, cash flows and financial performance.

## :: GENERAL/PUBLISHING INFORMATION

### EDITOR

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

### MANAGEMENT BOARD

:: Dr Ulrich Dauer, CEO

:: Dr Bernd Hentsch, CDO

:: Dipl.-Kfm. Enno Spillner, CFO

:: Dr Daniel Vitt, CSO

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### THE 4SC-SHARE

:: German SIN 575381

:: ISIN DE0005753818

:: Share price symbol VSC

### CONCEPTION/DESIGN

:: PETRANIX Corporate & Financial Communications AG :: Adliswil-Zurich, Switzerland

## :: FINANCIAL CALENDAR

29 MARCH 2011

:: Annual Report 2010 ✓

10 MAY 2011

:: Q1 Report 2011 ✓

04 JULY 2011

:: Annual General Shareholders' Meeting 2011

09 AUGUST 2011

:: Q2 Report 2011

08 NOVEMBER 2011

:: Q3 Report 2011

21-23 NOVEMBER 2011

:: Analyst Conference – German Equity Forum Frankfurt, Germany

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