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3 Months Financial Report :: 31 March 2010 (IFRS)

:: 4SC IN BRIEF

:: 01 4SC PRODUCT PIPELINE "AUTOIMMUNE DISEASES"

Product	Research	Preclinical	Phase I	Phase II	Phase III	Indication
4SC-101						Rheumatoid Arthritis (RA)
4SC-101						Inflammatory Bowel Disease (IBD)

:: 02 4SC PRODUCT PIPELINE "ONCOLOGY"

Product	Research	Preclinical	Phase I	Phase II	Phase III	Indication
4SC-201						Hepatocellular Carcinoma (HCC)
4SC-201						Hodgkin's Lymphoma (HL)
4SC-203						Acute Myeloid Leukaemia (AML)
4SC-205						Solid Tumours
4SC-202						Haematologic and Solid Tumours
4SC-207						Solid Tumours

:: 03 ACHIEVEMENTS

WE AIM TO BECOME A LEADING PARTNER TO THE PHARMACEUTICAL AND GLOBAL BIOTECHINDUSTRY FOR THERAPEUTICS IN AUTOIMMUNE AND ONCOLOGY INDICATIONS.

Our results in the first quarter 2010:

- Phase II study commenced to assess the efficacy of resminostat in the indication Hodgkin's lymphoma – first patient recruited
- Commenced two Phase I studies with the multi-kinase inhibitor 4SC-203 and the Eg5 Inhibitor 4SC-205
- Colon cancer selected as the third indication for resminostat; initiated preparations for a Phase I/II study in combination with a standard chemotherapy (FOLFIRI-regimen)

:: 04 KEY FINANCIAL FIGURES

	3M 2010 resp. 31.03.2010	3M 2009 resp. 31.03.2009	Change in %
FINANCIAL KEY FIGURES (IN € 000'S)			
Revenue	280	505	- 45
Operating profit/loss	- 5,274	- 3,868	- 36
Profit/loss for the period	- 5,267	- 3,701	- 42
Equity	45,733	33,481	37
Equity ratio	93.8%	92.1%	1.7%P
Total assets	48,774	36,361	34
Cash flows from operating and investing activities	- 4,562	432	n/a
Cash flows from financing activities	0	- 902	100
Net change in cash and cash equivalents	- 4,562	- 470	- 871
Cash and cash equivalents	30,959	6,876	350
Cash balance/funds	30,959	17,378	78
Earnings per share (basic/diluted) (in €)	- 0.14	- 0.13	- 8
EMPLOYEES			
Number of employees and Management Board members (at end of period)	94	90	4

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4SC – DEVELOPING PHARMACEUTICAL SUCCESS

4SC is a biotechnology company, listed on the Prime Standard of the Frankfurt Stock Exchange.

The Company has a balanced and broad product pipeline of novel drugs in various stages of development for autoimmune diseases and oncology. There is a large unmet medical need for innovative drugs in these disease areas.

4SC conducts focused research on compounds and develops them to the proof-of-concept stage. In doing so, people at 4SC aim to provide new therapies and hope to people suffering from severe illnesses.

BY PEOPLE. WITH PEOPLE. FOR PEOPLE.

:: LETTER TO THE SHAREHOLDERS

DEAR SHAREHOLDERS,

During the first quarter of 2010, we initiated three further clinical studies in the field of cancer research, once again making a significant contribution to the value and sustainability of 4SC. Overall there are now four drugs undergoing six clinical studies and two more candidates in preclinical studies in our pipeline. Vidofludimus (4SC-101) is being developed in two Phase II clinical studies to assess its efficacy against the autoimmune disorders rheumatoid arthritis (RA) and inflammatory bowel disease (IBD). We also developed possible additional applications and broadened the market potential for resminostat (4SC-201) – our oncology product that has been evaluated for its activity against liver cancer (HCC) since last year – by starting another Phase II study in Hodgkin’s lymphoma (HL) and choosing colon cancer as a further indication. In addition, we also succeeded in initiating Phase I studies with the oncology drug candidates 4SC-203 and 4SC-205.

4SC-203 now is the second product of our Company, after vidofludimus, which stems from 4SC’s internal research and has reached the clinical development stage. Our research activities for this multi-kinase inhibitor were supported by our Freiburg-based partner ProQinase, which supplemented our expertise in the area of kinase tumour biology. 4SC-203’s safety, tolerance and pharmacokinetics are currently being tested on healthy volunteers in a Phase I study. In the next step our goal is to treat patients suffering from acute myeloid leukaemia (AML).

The oral Eg5 kinesin inhibitor 4SC-205 is an oncology product that entered its first Phase I study during the reporting period in patients with tumours to assess its safety, tolerance and pharmacokinetics, but also for initial signs of proof-of-concept.

The next few months will be ground-breaking for our company in particular because the results of Phase II clinical studies are expected in the indications inflammatory bowel disease and rheumatoid arthritis for the autoimmune substance vidoflu-

dimus. During the course of 2011, the resminostat studies in patients with Hodgkin’s lymphoma and HCC (liver cancer) should also be concluded. If the results of these studies show a positive outcome, key milestones for the Company will have been met: the proof that our products are safe to use, well tolerated and, above all, efficacious. Based on this premise, we hope to realise the potential of these products for 4SC and its shareholders through licensing partnerships with global biotechnology and pharmaceutical companies.

We see ourselves as being well positioned based on our extensive, advanced pipeline of drug products aimed at highly attractive markets, our team of professional, highly qualified employees and our base of solid shareholders who have been continuously supportive of our strategy. We are therefore confident of being able to achieve considerable commercial success over the coming months through partnering deals.

We would like to thank you again for your trust and are looking forward to providing you with reports on the initial results of our studies as the year progresses.

Sincerely,



Dr Ulrich Dauer
CEO

QUARTERLY MANAGEMENT REPORT

1. BUSINESS PERFORMANCE

1.1 CURRENT DEVELOPMENTS IN THE BIOTECH SECTOR

The international debates about reducing costs in the health care sector reached new heights in the first quarter of 2010. In Germany, negotiations between policy-makers and the pharmaceutical industry on lowering the cost of drugs for health insurance companies are running at a high level without an immediate solution in sight. This stands in contrast to the United States, where President Obama's administration achieved a breakthrough. Experts predict that the biotech sector will benefit from the resolution to reform the US health care system because the innovative products in this sector are considered to be conducive to future growth and to have cost-saving potential. This is why it should be possible to continue to obtain reasonable prices in the future for drugs which promise significant medical benefits in fighting diseases for which no or insufficient treatment options existed in the past.

The continued attractiveness of the biotech sector is also supported because takeover bids and cooperation agreements between pharmaceutical groups and biotech companies did not lose any of their intensity in the period under review. Especially companies which, like 4SC, develop drugs against autoimmune diseases and cancer are experiencing brisk demand for their products. Japanese-based Astellas Pharma plans to take over the US biotech group OSI Pharmaceuticals for \$52 per share, which corresponds to a purchase price of \$3.5 billion and a premium of 40% on OSI's previous share price. The small-molecule drug called Tarceva that OSI developed to treat lung and pancreatic cancer generated global revenue of \$1.2 billion in 2009.

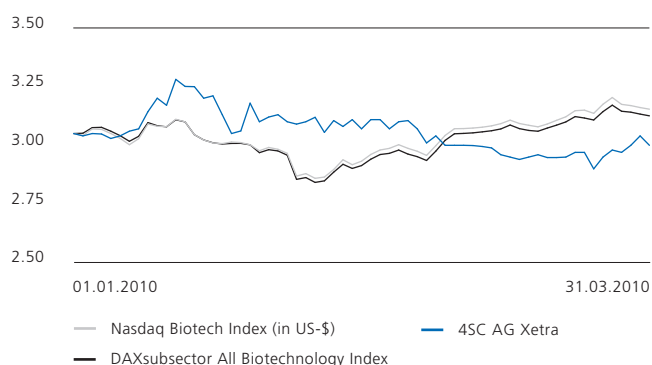
Of the strategic partnerships forged in the first quarter of 2010, two deals deserve particular mention. In February, the British pharmaceutical group AstraZeneca and the US company Rigel Pharmaceuticals signed an agreement on the development and commercialisation of R788. Like 4SC, Rigel is developing a small-molecule drug for the treatment of rheumatoid arthritis with R788. In addition to receiving an upfront payment of \$100 million, Rigel will be paid up to \$345 million for reaching clinical milestones and will be entitled up to another \$800 million and double-digit royalties in the event of commercial success. Also in February, the Danish-based biotechnology company TopoTarget announced an agreement with US firm Spectrum Pharmaceuticals to jointly further develop belinostat. This is a cancer compound from the group of HDAC inhibitors, as also contained in 4SC's product portfolio. Under the agreement, TopoTarget will receive \$30 million upfront plus a potential \$350 million, provided clinical milestones and regulatory clearance are achieved. In addition, TopoTarget will receive double-

digit royalties on sales of belinostat and the rights to market the product exclusively in Europe, Japan and other countries, excluding North America and India.

1.2 4SC SHARE PRICE PERFORMANCE

The share of 4SC began the new year on a quiet note. Following a sideways trend, the Company's shares were initially traded at between €3.01 and €3.28 based on XETRA closing prices, reaching their high for the quarter on 19 January 2010 before losing ground to record a low of €2.90 on 23 March. The share price rose again towards the end of the quarter, closing at €3.00 on 31 March, almost unchanged to the opening price for the year of €3.02.

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



The DAX subsector All Biotechnology Index also showed little change over the quarter, advancing just 1.7% to 116.81 points in the first three months of 2010, while the Nasdaq Biotechnology Index for the US market closed the same period up 10.2% to 939.02 points.

The trading volume of 4SC shares surged in the first quarter of 2010, with over 435,000 shares traded across all exchanges in the months of January and March. On 29 March, 4SC reached new highs since its IPO in December 2005 with 181,775 shares traded and a trading volume of €542 thousand.

	3M 2010	3M 2009
Number of shares issued (average, in thsd)	38,503	28,503
Free float (%)	19.4	29.4
3-month high (Xetra) (€)	3.28	3.11
3-month low (Xetra) (€)	2.90	2.60
Price at beginning of year (Xetra) (€)	3.02	3.07
Closing price at end of quarter (Xetra) (€)	3.00	2.86
Market capitalisation at end of quarter (€000's)	115,508	81,518
Average daily trading volume (Xetra, shares)	12,801	1,464

1.3 BUSINESS REVIEW

1.3.1 HIGHLIGHTS

The first quarter of 2010 was shaped by a wealth of positive developments in 4SC's clinical programmes. The Company announced the launch of no fewer than three clinical studies in the area of oncology: one Phase II study with resminostat for treating Hodgkin's lymphoma (HL), one Phase I study with 4SC-203 in healthy volunteers and another Phase I study with 4SC-205 in patients with solid tumours or malignant lymphomas.

These developments increased the value of 4SC's product pipeline. The Company's portfolio currently comprises six promising product candidates, including four candidates in a total of six clinical studies and two more in preclinical development.

1.3.2 CLINICAL PROGRAMMES OVERVIEW

AUTOIMMUNE DISEASES :: Developments in the field of autoimmune diseases in the first quarter of 2010 continued to centre around 4SC-101. The WHO suggested "vidofludimus" as an international non-proprietary name (INN) for this product. This INN will be instrumental in the future development and placement of the compound, allowing the common use of this drug designation internationally.

Patient recruitment progressed in the two Phase II studies with vidofludimus, both in the ENTRANCE study for the treatment of inflammatory bowel disease (IBD) launched in March 2009 and in the COMPONENT study in rheumatoid arthritis (RA) which began in November 2009. In the first quarter, 4SC also received approval from the regulatory authorities to extend the ENTRANCE study geographically to Romania and Bulgaria. Furthermore, additional German gastroenterological centers were included concurrently, which means the study is now being carried out in Germany, Romania and Bulgaria, at both university hospitals and established gastroenterological clinics. 4SC expects to be able to complete the inclusion of the planned patients for the ENTRANCE study in the coming months and that the results will be available in the second half of the year.

ONCOLOGY :: Significant progress was made in the oncology area in the past quarter, particularly with resminostat, the most advanced candidate, where 4SC systematically executed on its development strategy to broaden the commercial potential of this pan histone deacetylase (HDAC) inhibitor. The SAPHIRE study commenced with the recruitment of the first patient. This Phase II study is investigating the efficacy of resminostat as monotherapy in up to 33 patients suffering from Hodgkin's lymphoma (HL) who are refractory and are no longer responding to conventional treatment methods or have relapsed after initially successful treatment. SAPHIRE is now running in parallel to the SHELTER Phase II study initiated in August 2009 in the indication hepatocellular carcinoma (HCC).

At the same time, colon cancer was chosen in January 2010 as the third indication for resminostat and preparations for a Phase I/II study were initiated. Since colon cancer is the third most common type of cancer worldwide, drugs targeting this indication may have a particularly large market potential. The results of scientific research in past years also showed that patients with tumours harboring KRAS mutations do not respond to treatment with EGFR antibodies and hence cannot be offered one of the new innovative treatment options. This applies to some 30% to 40% of colon cancer patients. 4SC is therefore taking a focused approach: the study will evaluate the efficacy and tolerability of resminostat as a second-line treatment in combination with an established and frequently used chemotherapy regimen, the FOLFIRI treatment. It will include patients with tumours containing KRAS mutations who are consequently not suitable candidates for treatment with an EGF receptor antibody in order to offer this group of patients a new, alternative form of treatment in the future.

4SC also commenced two Phase I studies in the first quarter of 2010. In January, the first healthy volunteer was dosed with the multi-kinase inhibitor 4SC-203, jointly developed with Freiburg-based ProQinase GmbH. Up to 50 volunteers are set to participate in this randomised, double-blind, placebo-controlled study in which 4SC-203 will be administered intravenously in escalating individual doses. This compound is designed to treat patients with acute myeloid leukaemia (AML) in particular because it specifically inhibits FLT3 (FMS-like tyrosine kinase) since this target plays a key disease-relevant role in AML patients.

In February, the first patient was recruited for the Eg5 kinesin inhibitor 4SC-205 in the AEGIS study, a Phase I study in patients with solid tumours or malignant lymphomas. This open label study investigates the safety, tolerability, pharmacokinetics and pharmacodynamics of 4SC-205 after oral administration in escalating doses in three-week cycles. After six weeks of treatment, patients will undergo radiological disease assessments. Patients may remain on therapy beyond the initial two therapy cycles as long as they tolerate the treatment and do not demonstrate progressive disease.

1.3.3 PRECLINICAL PROJECTS OVERVIEW

In addition to the clinical programmes, two further oncological projects comprising 4SC-202 and 4SC-207 are in the preclinical development stage. 4SC-202 is a selective HDAC inhibitor that exhibits a different activity profile than resminostat, a pan HDAC inhibitor. 4SC-207 is a cell-cycle blocker characterised by a high level of activity against cancer cells that have become resistant to standard chemotherapies. During the opening quarter of 2010, these two projects were further evaluated and prepared for Phase I testing in order to build a sustainable pipeline.

1.3.4 STAFF

As at 31 March 2010, 4SC had a staff of 90 employees (of whom 69 employees, or 73%, work in research and development) and four Management Board members. Compared with the end of 2009, the workforce was therefore expanded by three people, who were hired for the primary purpose of strengthening the development team.

2. FINANCIAL POSITION, CASH FLOWS AND FINANCIAL PERFORMANCE

2.1 FINANCIAL PERFORMANCE

REVENUE :: Revenue in the first quarter of 2010 amounted to €280 thousand, down from €505 thousand in the prior-year period. This stems exclusively from research cooperation agreements.

OPERATING EXPENSES :: Operating expenses, comprising the cost of sales, distribution costs, research and development costs and administrative costs, rose from €4,442 thousand in the first quarter of 2009 to €5,563 thousand in the period under review.

While the cost of sales fell from €154 thousand to €114 thousand and distribution costs declined from €86 thousand to €60 thousand, operating expenses increased on account of higher research and development costs and higher administrative costs. Research and development costs rose by approximately one-third, from €3,388 thousand to €4,499 thousand, which increased their share of operating expenses by five percentage points to around 81%. The continued development of 4SC's product pipeline – and the doubling of the number of ongoing clinical studies from three in the prior-year period to six – resulted above all in higher costs for external services. While administrative costs rose by 9% year-on-year, at €890 thousand they hovered around the average for the last two quarters of 2009.

OPERATING PROFIT/LOSS :: As expected, the Company's loss from operating activities rose on account of the situation described above. The operating loss posted for the first three months of 2010 amounted to €5,274 thousand, up from €3,868 thousand in the first quarter of 2009.

NET FINANCE INCOME/LOSS :: The net finance income dropped sharply compared with the prior-year period. While net finance income of €157 thousand was reported in the first three months of 2009, a net finance loss of €1 thousand was recognised in the period under review. This is a reflection of the financial market crisis, with plummeting interest rates leading to an erosion of finance income. The share in the profit/loss of associates also had a negative effect: after a profit of €15 thousand in the prior-year period, a loss of €11 thousand was reported for the first quarter of 2010.

PROFIT/LOSS FOR THE PERIOD :: The Company reported a loss of €5,267 thousand for the period from January to March 2010 (first quarter of 2009: loss of €3,701 thousand).

EARNINGS PER SHARE :: While the loss for the period rose, both diluted and basic earnings per share remained virtually unchanged compared to the first three months of 2009 at €-0.14 (first quarter of 2009: €-0.13). This is due to a higher number of issued shares compared with the prior-year period.

2.2 FINANCIAL POSITION

NON-CURRENT ASSETS :: Non-current assets fell slightly in the first quarter of 2010 to €16,527 thousand as at 31 March 2010 from €16,695 thousand at the end of 2009. Intangible assets remained the largest item of non-current assets at €14,625 thousand (31 December 2009: €14,837 thousand), followed by property, plant and equipment of €1,540 thousand (31 December 2009: €1,485 thousand).

CURRENT ASSETS :: Current assets fell by €4,961 thousand from €37,208 thousand as at 31 December 2009 to €32,247 thousand, largely due to the decrease in funds (comprising cash and cash equivalents and other financial assets) from €35,621 thousand to €30,959 thousand. This item reflected the business operations of 4SC.

EQUITY :: The decline in equity of 10% from €50,909 thousand to €45,733 thousand largely reflected the loss for the period of €5,267 thousand. Hence the accumulated deficit rose from €56,372 thousand to €61,639 thousand. At 93.8%, the equity ratio as at 31 March 2010 was down 0.6 percentage points on the figure for the end of 2009.

CURRENT AND NON-CURRENT LIABILITIES :: Both current and non-current liabilities were up slightly compared with the end of the year, current liabilities increasing from €104 thousand to €139 thousand and non-current liabilities from €2,890 thousand to €2,902 thousand. The largest item under liabilities was still other liabilities, principally comprising unbilled external services.

TOTAL ASSETS/TOTAL EQUITY AND LIABILITIES :: Total assets/total equity and liabilities amounted to €48,774 thousand as at 31 March 2010, down 10% on the end-of-year figure of €53,903 thousand.

2.3 CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES :: Cash totalling €4,480 thousand was used for operating activities in the first three months of 2010. The change compared to the pre-tax loss of €5,275 thousand is attributable to adjustments for non-cash items in the statement of comprehensive income (principally depreciation, amortization and impairment losses plus stock options) and also to changes in items in the statement of financial position that had a positive effect on cash flows. In the prior-year period, cash flows from operating activities came to €-3,381 thousand with a pre-tax loss of €3,711 thousand.

CASH FLOWS FROM INVESTING ACTIVITIES :: The net cash flows from investing activities amounted to €-82 thousand in the reporting period and resulted from disbursements of €182 thousand for the purchase of property, plant and equipment and proceeds of €100 thousand from the sale of financial investments. In the first quarter of 2009 the Company invested €24 thousand in intangible assets and €163 thousand in property, plant and equipment. The sale and purchase of financial instruments generated net cash inflows of €4,000 thousand, which resulted in positive cash flows from investing activities totalling €3,813 thousand in that period.

CASH FLOWS FROM FINANCING ACTIVITIES :: No cash flows from financing activities were generated in the reporting period. In the prior-year period, however, cash flows from financing activities were generated mainly from the repayment of long-term loans of €902 thousand in January 2009.

CASH BALANCE/FUNDS :: Cash and cash equivalents amounted to €30,959 thousand at the end of the reporting period. As no additional funds were invested in financial instruments, total funds also amounted to €30,959 thousand (31 December 2009: €35,621 thousand).

3. REPORT ON RISKS AND OPPORTUNITIES

Please see the management report as at 31 December 2009 for a detailed description of the risks and opportunities arising from our business activities, as well as for information relating to 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 – 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

4SC announced on 16 April 2010 that it had secured further research funding. The joint project together with the Bonn-based company Nexigen GmbH aims to develop novel peptide cancer therapeutics and is being funded with €1.4 million by the German Federal Ministry of Education and Research (Bundesministerium für Bildung und Forschung – BMBF) under the “KMU-Innovativ” Programme.

5. ANTICIPATED DEVELOPMENTS

4SC's stated goal is still to become a key partner for global biotech companies and the pharmaceutical industry by developing innovative drug candidates for autoimmune diseases and oncology. A number of the Company's drug candidates will reach important milestones in the short and medium term. Vidofludimus is due to report results for the Phase IIa study in IBD in the second half of 2010, while the results of the Phase IIb study in RA are expected at the end of 2010. Phase I results for the compound 4SC-203 are also anticipated at the end of 2010. The Phase II trials for HCC and HL with resminostat will be advanced in 2010 and are expected to yield value-enhancing clinical results in 2011, the same as for 4SC-205. In addition, the launch of the colon cancer study with resminostat and the preparation of 4SC-202 for clinical development will enhance the sustainability of the Company's product pipeline over the next twelve months. 4SC is well positioned financially to achieve the above mentioned milestones.

Planegg-Martinsried, 10 May 2010



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 2010 (UNAUDITED)

in €000's	3M 2010	3M 2009
Revenue	280	505
Costs of sales	- 114	- 154
GROSS PROFIT	166	351
Distribution costs	- 60	- 86
Research and development costs	- 4,499	- 3,388
Administration costs	- 890	- 814
Other income	9	69
OPERATING PROFIT/LOSS	- 5,274	- 3,868
NET FINANCE INCOME/LOSS		
Shares in profit/loss from associates	- 11	15
Finance income	13	184
Finance costs	- 3	- 42
NET FINANCE INCOME/LOSS	- 1	157
EARNINGS BEFORE TAX	- 5,275	- 3,711
Income taxes	8	10
PROFIT/LOSS FOR THE PERIOD	- 5,267	- 3,701
MEASUREMENT OF FINANCIAL INSTRUMENTS		
Changes in fair values of available-for-sale financial assets	0	3
MEASUREMENT OF FINANCIAL INSTRUMENTS	0	3
COMPREHENSIVE INCOME/LOSS	- 5,267	- 3,698
Earnings per share (basic and diluted; €)	- 0.14	- 0.13

STATEMENT OF FINANCIAL POSITION

FOR THE PERIOD ENDED 31 MARCH 2010 (UNAUDITED)

in €000's	31.03.2010	31.12.2009
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	14,625	14,837
Property, plant and equipment	1,540	1,485
Investments accounted for using the equity method	51	62
Other financial assets	154	154
Other assets	157	157
NON-CURRENT ASSETS	16,527	16,695
CURRENT ASSETS		
Inventories	22	22
Trade accounts receivable	333	535
Receivables from investees	0	0
Other financial assets	0	100
Cash and cash equivalents	30,959	35,521
Current tax assets	163	162
Other assets	770	868
CURRENT ASSETS	32,247	37,208
TOTAL ASSETS	48,774	53,903
EQUITY AND LIABILITIES		
EQUITY		
Subscribed capital	38,503	38,503
Share premium	67,836	67,836
Reserves	1,033	942
Accumulated deficit	- 61,639	- 56,372
EQUITY	45,733	50,909
NON-CURRENT LIABILITIES		
Deferred tax liabilities	31	39
Other liabilities	108	65
NON-CURRENT LIABILITIES	139	104
CURRENT LIABILITIES		
Trade accounts payable	762	913
Accounts payable to associates	0	29
Provisions	45	45
Other liabilities	2,095	1,903
CURRENT LIABILITIES	2,902	2,890
TOTAL EQUITY AND LIABILITIES	48,774	53,903

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2010 (UNAUDITED)

in €000's	3M 2010	3M 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Result before taxes	- 5,275	- 3,711
<i>Adjustment for statement of comprehensive income items</i>		
Depreciation and amortisation	339	317
Net finance income/loss	1	- 157
Stock options	91	21
Other non-cash affecting items	9	- 113
<i>Changes in statement of financial position items</i>		
Inventories	0	- 4
Trade accounts receivable	202	- 17
Current tax assets	- 1	6
Other assets	98	165
Trade accounts payable	- 151	- 490
Accounts payable to associates	- 29	- 32
Other liabilities	235	379
Interest received	2	257
Interest paid	- 1	- 1
CASH FLOWS FROM OPERATING ACTIVITIES	- 4,480	- 3,381
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	0	- 24
Purchase of property, plant and equipment	- 182	- 163
Purchase of financial investments	0	- 4,500
Sale of financial investments	100	8,500
CASH FLOWS FROM INVESTING ACTIVITIES	- 82	3,813
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term loans	0	- 902
CASH FLOWS FROM FINANCING ACTIVITIES	0	- 902
NET CHANGE IN CASH AND CASH EQUIVALENTS	- 4,562	- 470
+ Cash and cash equivalents at the beginning of the period	35,521	7,346
= CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	30,959	6,876

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2010 (UNAUDITED)

in €000's	Subscribed capital	Share premium	Reserves			Accumulated deficit	Total
			Reserves stock options	Retained earnings	Revaluation surplus		
BALANCE ON 01.01.2009	28,503	48,101	755	67	- 3	- 40,265	37,158
Options issued (ESOP 2004/2004)			1				1
Options issued (ESOP 2004/2005)			1				1
Options issued (ESOP 2004/2006/1)			1				1
Options issued (ESOP 2006/2006/2)			12				12
Options issued (ESOP 2006/2007)			1				1
Options issued (ESOP 2006/2008)			5				5
Comprehensive income/loss 01.01.-31.03.2009					3	- 3,701	- 3,698
<i>Measurement of financial instruments</i>					3		3
<i>Profit/loss for the period 01.01.-31.03.2009</i>						- 3,701	- 3,701
BALANCE ON 31.03.2009	28,503	48,101	776	67	0	- 43,966	33,481
BALANCE ON 01.01.2010	38,503	67,836	875	67	0	- 56,372	- 50,909
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				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
BALANCE ON 31.03.2010	38,503	67,836	966	67	0	- 61,639	45,733

NOTES TO THE INTERIM FINANCIAL STATEMENTS

AS AT 31 MARCH 2010 (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 Standards (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 EU are applied without exception starting in the financial year in which their application becomes mandatory.

These interim financial statements represent the single-entity financial statements of Germany-based 4SC AG and in addition take account of the following companies:

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

The Management Board approved the interim financial statements for release on 10 May 2010. The discussion of the interim financial statements by the Supervisory Board or the Audit Committee and the Management Board in line with the German Corporate Governance Code (as amended on 18 June 2009) was held via teleconference on 28 April 2010.

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 2009.

As the business activities do not differ significantly in their risk/reward profiles, 4SC operates in one segment only and therefore does not prepare segment reporting. 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 et seq. 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).

	3M 2010	3M 2009
Based on profit/loss for the period (in €000's)	- 5,267	- 3,701
Based on average number of shares (in thsd)	38,503	28,503
EARNINGS PER SHARE (BASIC AND DILUTED, IN €)	- 0.14	- 0.13

Because the options issued are not dilutive given 4SC's loss and the share price has currently dropped below the exercise price of the options, i.e. the options are currently "out of money", the diluted and basic earnings per share are identical.

3. NOTES TO THE CASH BALANCE

In addition to cash and cash equivalents presented in the statement of cash flows, 4SC has liquid funds that are predominantly invested for better return in fixed deposits. The reconciliation from the statement of cash flows to the total cash balance is shown in the following table:

in €000's	31.03.2010	31.12.2009	31.03.2009
Cash and cash equivalents at the end of the period	30,959	35,521	6,876
Other financial assets	0	100	10,502
CASH BALANCE/FUNDS	30,959	35,621	17,378

4. SHAREHOLDINGS AND DIRECTORS' DEALINGS

In the first quarter of 2010, the following 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:

Date	Name	Function	Type of transaction	Market	Price in €	Quantity	Transaction volume in €
23.03.2010	Dr Thomas Werner	Supervisory Board member	Purchase	Xetra	2.90	3,775	10,947.50
24.03.2010	Dr Thomas Werner	Supervisory Board member	Purchase	Xetra	2.90	1,225	3,552.50

The following overviews show the shares and stock options held by members of the Management Board and Supervisory Board as at the 31 March 2010 reporting date as well as changes in these holdings compared to the start of the year.

Number of shares	Shares 01.01.2010	Purchase	Sale	Shares 31.03.2010
MANAGEMENT BOARD				
Dr Ulrich Dauer	430,639	0	0	430,639
Dr Daniel Vitt	416,803	0	0	416,803
Dipl.-Kfm. Enno Spillner	70,000	0	0	70,000
SHARES HELD BY THE MANAGEMENT BOARD	917,442	0	0	917,442
SUPERVISORY BOARD				
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	0	5,000	0	5,000
SHARES HELD BY THE SUPERVISORY BOARD	125,875	5,000	0	130,875

Number of stock options	Options 01.01.2010	Additions	Expired	Exercised	Options 31.03.2010	Maximum number of shares
MANAGEMENT BOARD						
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
OPTIONS HELD BY THE MANAGEMENT BOARD	706,720	0	0	0	706,720	683,920

5. RELATED PARTY TRANSACTIONS

In the reporting period there were no material changes in business transactions with related parties compared to the disclosures made in the annual report as at 31 December 2009.

6. EVENTS AFTER THE END OF THE REPORTING PERIOD

Further explanations regarding events after the end of the reporting period can be found in paragraph 4 of the management report. They have no significant effect on 4SC's financial position, cash flows and performance.

:: GENERAL/PUBLISHING INFORMATION

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:: FINANCIAL CALENDAR

30 MARCH 2010

Annual Report 2009 ✓

11 MAY 2010

3 Months Financial Report 2010 ✓

21 JUNE 2010

Annual General Meeting 2010

10 AUGUST 2010

Half Year Financial Report 2010

11 NOVEMBER 2010

9 Months Financial Report 2010

To offer successful therapies for AUTOIMMUNE DISEASES.

To develop innovative drugs in ONCOLOGY.

BY PEOPLE. WITH PEOPLE. FOR PEOPLE.

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