



BY PEOPLE. WITH PEOPLE. FOR PEOPLE.

Half Year Financial Report :: 30 June 2010 (IFRS)

:: 4SC IN BRIEF

:: 01 4SC PRODUCT PIPELINE "AUTOIMMUNE DISEASES"

Product	Research	Preclinical	Phase I	Phase II	Phase III	Indication
4SC-101	IL17/DHODH COMPONENT					Rheumatoid Arthritis (RA)
4SC-101	IL17/DHODH ENTRANCE					Inflammatory Bowel Disease (IBD)

:: 02 4SC PRODUCT PIPELINE "ONCOLOGY"

Product	Research	Preclinical	Phase I	Phase II	Phase III	Indication
4SC-201	HDAC SHELTER					Hepatocellular Carcinoma (HCC)
4SC-201	HDAC SAPHIRE					Hodgkin's Lymphoma (HL)
4SC-203	Kinase Inhibitor					Acute Myeloid Leukaemia (AML)
4SC-205	Eg5 Inhibitor AEGIS					Solid Tumours
4SC-202	HDAC					Haematologic and Solid Tumours
4SC-207	CCB					Solid Tumours

:: 03 ACHIEVEMENTS

WE AIM TO BECOME A LEADING PARTNER TO THE GLOBAL BIOTECH AND PHARMACEUTICAL INDUSTRY FOR THERAPEUTICS IN AUTOIMMUNE AND ONCOLOGY INDICATIONS. OUR RESULTS IN THE SECOND QUARTER HAVE BROUGHT US CLOSER TO REACHING THIS GOAL.

Our highlights in the second quarter 2010:

- Resminostat – Phase II Hodgkin's lymphoma study SAPHIRE achieves first Simon stage and advances into second phase of recruitment
- Vidofludimus – Phase IIa inflammatory bowel disease (IBD) study ENTRANCE – fully recruited
- Vidofludimus – preclinical data on IL-17 inhibition in IBD and lupus published in two peer review journals

:: 04 KEY FINANCIAL FIGURES

	Q2.2010	Q2.2009	Change in %	6M 2010 resp. 30.06.2010	6M 2009 resp. 30.06.2009	Change in %
FINANCIAL KEY FIGURES (IN € 000'S)						
Revenue	238	462	- 48	518	967	- 46
Operating profit/loss	- 5,349	- 3,700	- 45	- 10,623	- 7,568	- 40
Profit/loss for the period	- 5,306	- 3,584	- 48	- 10,573	- 7,285	- 45
Earnings per share (diluted / basic) (in €)	- 0.14	- 0.13	- 8	- 0.27	- 0.26	- 4
Cash flows from operating activities	- 4,409	- 3,390	- 30	- 8,889	- 6,771	- 31
Cash flows from investing activities	- 3,047	3,968	n/a	- 3,129	7,781	n/a
Cash flows from financing activities	0	0	n/a	0	- 902	100
Net change in cash and cash equivalents	- 7,456	578	n/a	- 12,018	108	n/a
Cash and cash equivalents				23,503	7,454	215
Cash balance / funds				26,503	13,909	91
Equity				40,518	29,918	35
Equity ratio				92.1%	91.8%	0.3%P
Total assets				43,973	32,597	35
EMPLOYEES						
Number of employees and Management Board members (at end of period)				94	92	2

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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,

The first half of the year was a busy and very intensive period in the development of 4SC. Following our product offensive over the last 18 months, during which six clinical trials were initiated, activities culminated over the past six months at our company. The capabilities of the entire team were tested over this period.

Managing the countless activities involved in the commencement of new studies and the supervision of ongoing studies was a huge challenge for the 4SC team and put a strain on resources. Various bottlenecks were overcome in the process – in the design of the studies, in the collaboration with regulatory authorities and study centres in different countries as well as in the recruitment of volunteers and patients. For this, all available human resources in our research and development organisation were drawn on.

This is why I am happy to be able to inform you today that all our studies and programmes are progressing as planned.

Following this period of intensive work, we are facing the future with excitement and confidence. Over the next 18 months we will report final data on the six ongoing studies. We expect data from two Phase II studies and one Phase I study by the end of 2010. Further important clinical data should also be available commencing from the first six months of 2011. Such a concentration of clinical data and commercial decision points in drug development is unique for a company of our size. This

is the moment we have been working towards in recent years and months. Our corporate strategy, business model and product strategy are now reaching a crucial stage of maturity. We are looking forward to reaping the first fruits of our labours over many years in the coming months.

It goes without saying that we hope to produce the desired results wholly and in all clinical studies. The composition of the product portfolio, our findings from research and development of the compounds as well as the positioning of the individual product candidates are structured in such a way that the opportunities in the portfolio can be maximised whilst any setbacks or delays should be absorbed.

In conclusion, the important milestones that lie ahead of us are expected to outline and document 4SC's capabilities. On behalf of my colleagues in the Management Board I would like to thank our supporters, all our shareholders and all our staff for their contribution to make these last six months a success.

Yours Sincerely,



Dr Ulrich Dauer
CEO

INTERIM MANAGEMENT REPORT

1. BUSINESS PERFORMANCE

1.1 CURRENT DEVELOPMENTS IN THE BIOTECH SECTOR

Just as for the market as a whole, the first six months of 2010 were a struggle for the biotech sector, a trend that was also reflected in the ongoing weakness of the leading biotech indices. After this slow start, however, investment specialists are cautiously optimistic about the rest of the year: the market seems ready for a technical recovery, too.

In the first half of 2010, several new biotech-pharma partnerships were announced for early stage development candidates. Concurrently 19 biotechnology and pharmaceutical companies also reported product approvals in the second quarter of 2010 alone. For the second half of 2010, over 100 important clinical and regulatory events are expected that will contribute to this tentatively positive assessment. The effect of good clinical data on the capital markets was demonstrated by the price performance of Willex shares in Germany during May and June: following the publication of good clinical data, these shares peaked at double their value. However, some setbacks were also recorded, one relating to the antibody ocrelizumab developed by Roche and Biogen Idec, who suspended the clinical development programme in rheumatoid arthritis in addition to lupus, following safety concerns.

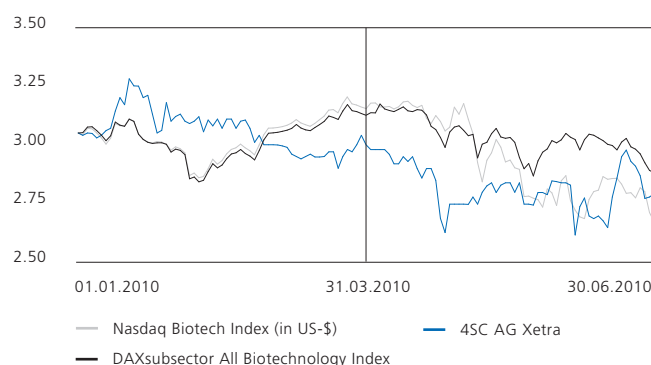
A total of 16 life sciences companies worldwide went public in the first half of the year, including four in Europe alone. Likewise, four European companies in the biotech industry raised the substantial aggregate amount of more than €115 million in significant secondary financings.

These developments provide hope for a stronger second half of the year. Analysts believe that the results for the second quarter will provide greater clarity with regard to the reforms of the US health care system and possible savings in Europe. In addition, the losses of the euro against the dollar may shift the focus of an increasing number of investors looking for solid investment opportunities back to Europe. In an ideal situation, this would generate renewed investment by a number of European funds in euro zone companies. If the broad market stabilises, it is possible that many investors will also return to biotechnology.

1.2 4SC SHARE PRICE PERFORMANCE

In the second quarter of 2010, 4SC shares significantly outperformed the benchmark indices despite falling 6.9%. The DAXsubsector All Biotechnology Index lost 7.9% of its value over the quarter. The Nasdaq Biotech Index fell by a substantial 15.6%.

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



4SC shares began trading on 1 April 2010 at €3.05, which was also the highest Xetra closing price in the second quarter. After reaching their lowest point in this quarter of €2.67 in early June, the shares started to regain ground towards the end of the quarter, closing at €2.84 on 30 June 2010. Trading volume in the second quarter amounted to over 900,000 shares across all exchanges.

06 THE 4SC SHARE

	Q2.2010	Q2.2009	6M 2010	6M 2009
Number of shares issued (average, in 000's.)	38,503	28,503	38,503	28,503
Free float (%)	19.4	29.4	19.4	29.4
3- resp. 6-month high (Xetra) (€)	3.05	3.10	3.28	3.11
3- resp. 6-month low (Xetra) (€)	2.67	2.76	2.67	2.60
Price at beginning of quarter and year (Xetra) (€)	3.05	2.85	3.02	3.07
Closing price at end of quarter (Xetra) (€)	2.84	2.80	2.84	2.80
Market capitalisation at end of quarter (€000's)	108,963	79,808	108,963	79,808
Average daily trading volume (Xetra, shares)	10,191	3,405	11,496	2,427

4SC stepped up its communication with the capital markets and other stakeholders in the first half of 2010 with the goal of boosting transparency and liquidity for the Company and its shares. This involved various media and analyst meetings as well as national and international road shows. Important milestones were met on the international stage in particular: 4SC received invitations from investment banks to attend major international health care conferences that enabled the Company to position itself in relation to international competitors. In March 2010, 4SC attended the Credit Suisse Global Healthcare One-on-One Conference in London, in June 2010 the Jefferies 2010 Global Life Sciences Conference in New York and the Piper Jaffray 5th Annual Europe Conference in London.

At the same time, 4SC is pleased to report that it received two international awards from independent juries for its transparent and coherent communication with shareholders. The Company won a platinum award from the League of American Communications Professionals (LACP) for its 2009 annual report. From 4,000 international submitted reports, 4SC received first in the biotech category (revenue of up to US\$1 billion). 4SC was also successful in the Annual Report Competition (ARC), receiving the gold award, which is the highest possible distinction.

1.3 BUSINESS REVIEW

1.3.1 HIGHLIGHTS

The positive developments in the clinical programmes continued in the second quarter of 2010. The six Phase I and Phase II studies of the four clinical product candidates progressed according to plan. 4SC still expects to be able to report two value-enhancing Phase II results in the field of autoimmune diseases in the second half of 2010.

The Phase II study with resminostat for treating Hodgkin's lymphoma (HL), which is being conducted in two stages using Simon's design, successfully met the clinical activity requirements for the first Simon stage of patient recruitment in May. This enabled the second Simon recruitment stage to be opened so that the efficacy of resminostat could be tested in a larger patient cohort.

Patient recruitment for 4SC's autoimmune drug candidate vidofludimus was successfully completed by mid-year as part of the exploratory Phase IIa study in inflammatory bowel disease (IBD). Predictive study data will therefore probably become available in the second half of the year. Concurrently, new pre-clinical data on this drug was published in the internationally renowned scientific journals *Inflammatory Bowel Diseases* and *American Journal of Pathology*.

4SC announced in April that it had secured additional public funding. The German Federal Ministry of Education and Research (BMBF) is providing up to €1.4 million in grants for a project implemented in collaboration with Bonn-based company Nexigen GmbH under the "KMU-Innovativ" programme. This project will develop innovative peptide-based anti-cancer drugs which have the potential to expand 4SC's pipeline with new classes of drugs.

1.3.2 CLINICAL PROGRAMMES OVERVIEW

AUTOIMMUNE DISEASES :: Good progress was made in the second quarter of 2010 with the two clinical studies of the oral small-molecule drug candidate vidofludimus: the COMPONENT Phase IIb study in rheumatoid arthritis (RA) and the ENTRANCE Phase IIa study in IBD.

As reported in the first quarter of 2010, patient recruitment for the ENTRANCE study in the IBD indication was successfully extended beyond Germany to Romania and Bulgaria. 4SC was able to complete the inclusion of the planned number of patients by mid-year. Results will be available in the second half of the year. This exploratory study was commenced to deliver first efficacy data of vidofludimus in IBD and consequently leverage this compound's broader commercial potential in addition to the RA indication. Approximately four million people worldwide, primarily in western industrialised countries, suffer from IBD including its two most common forms: ulcerative colitis and Crohn's disease. IBD causes infections in different areas of the colon leading to abdominal pain, rectal bleeding, diarrhoea, weight loss, tiredness and other symptoms. Currently there is no cure for these diseases. There is a huge medical need for patients with mild to moderate symptoms, as most forms of treatment are based on steroids, which can have serious side effects for patients. While two antibody preparations (Anti-TNF-Alpha) are used more and more frequently in severe cases, these generate very high treatment costs to be borne by the increasingly overburdened health care systems. In the ENTRANCE study, 4SC is investigating whether steroid-based treatment can be replaced or reduced through vidofludimus and whether further inflammation can be permanently suppressed without patients suffering further side effects.

In parallel to the clinical studies, the positioning of vidofludimus as a broad-spectrum drug for treating autoimmune diseases was substantiated with comprehensive preclinical data. This was supported by the publication of these new results in two scientific journals. In particular, the role of vidofludimus as a suppressor of the cytokine Interleukin 17 (IL-17), an inflammatory messenger, was highlighted. A publication in the medical journal *Inflammatory Bowel Diseases* in collaboration with Professor Leo R. Fitzpatrick (Department of Pharmacology, Penn State College of Medicine, USA), demonstrated that vidofludimus substantially improves the symptoms of both

chronic and acute inflammatory bowel disease in mice and significantly inhibits the production of IL-17 both *in vitro* and *in vivo*. In the *American Journal of Pathology*, the results of a collaboration with Professor Hans-Joachim Anders (Medizinische Poliklinik-Innenstadt, University of Munich, Germany) were published. In these *in vitro* and *in vivo* studies, vidofludimus was demonstrated to be as effective as the standard therapy high dose cyclophosphamide (CYC) in controlling systemic lupus erythematosus (SLE) without causing myelosuppression, which is frequently seen with CYC. This result broadens the potential use of vidofludimus as an orally administered baseline therapy for treating autoimmune diseases such as RA and IBD – indications that are at the forefront of 4SC's clinical development strategy.

ONCOLOGY :: In the oncology area, activities into the pan histone deacetylase (HDAC) inhibitor resminostat in the second quarter focussed on the SAPHIRE Phase II study initiated in January 2010, which is being carried out on 33 patients. This study successfully met the clinical activity requirements for the first stage of patient recruitment for Simon's design in May, which included a total of 18 patients. Simon's two-stage design aims to ensure that only if there are objective signs of efficacy in the first patient cohort, another cohort can be treated. For ethical reasons, this minimises the risk that patients could be treated with an ineffective study drug as the only treatment option. Following a clinical assessment of the data by an independent panel of experts, it was therefore decided to commence the second Simon stage of patient recruitment in which 15 more patients will be included in the study. This has enabled the clinical use of resminostat in a larger group of patients suffering from HL.

The SHELTER Phase II study in hepatocellular carcinoma (HCC) was also advanced in accordance to plan, the objective being to treat 50 patients in this study.

The Company intensified its preparations for the launch of another Phase I/II study with resminostat in patients suffering from colon cancer. Planned as second-line treatment in combination with a standard chemotherapy regimen (FOLFIRI) in patients with tumours that contain mutations in an important cellular signalling molecule (known as the KRAS gene), this study is scheduled to be commenced in Germany before the end of 2010 pending approval by the regulatory authorities.

Progress was also made in the two Phase I studies with the multi-kinase inhibitor 4SC-203 and the oral Eg5 inhibitor 4SC-205. The results of the Phase I study on volunteers are expected in the course of the current year for the compound 4SC-203 which was developed in collaboration with Freiburg-based ProQinase GmbH, and preferentially targets the FLT3 kinase. Due to its target selectivity profile, 4SC-203 will be specifically tested for its antitumour efficacy in patients suffering from acute myeloid leukaemia (AML). In this form of leukaemia, the FLT3 kinase is a particularly disease-relevant target structure.

1.3.3 PRECLINICAL PROJECTS OVERVIEW

In addition to the progress made in the clinical programmes, the preclinical development of two further oncological projects, the selective class I HDAC inhibitor 4SC-202 and the cell-cycle blocker 4SC-207, was pursued in the second quarter of 2010. It is planned to commence Phase I of clinical development for the compound 4SC-202, which exhibits a very different activity profile to the more advanced HDAC inhibitor resminostat, in 2010.

1.3.4 STAFF

As at 30 June 2010, 4SC had a staff of 90 employees and four Management Board members. 69 employees, or 73%, are engaged in research and development. Compared to the end of 2009 and 30 June 2009, the workforce was therefore expanded by three people and two people, respectively, who were hired primarily for the development department.

1.3.5 CORPORATE BODIES

The Annual General Meeting of 4SC on 21 June 2010 approved all resolutions voted on that had been proposed by the Management Board and the Supervisory Board or by the Supervisory Board on its own. Of the Company's share capital amounting to €38,502,739.00, composed of 38,502,739 no-par value bearer shares, 33,774,871 shares were represented at the Annual General Meeting with an equal number of votes. This corresponds to 87.7% of the Company's share capital.

Among other things, the terms of office of all Supervisory Board members ended, which led to new elections being held. In individual elections, the Annual General Meeting re-elected all existing members of the Supervisory Board. The new terms of office ends with the close of the Annual General Meeting, which resolves on the approval of the Supervisory Board's actions for the 2012 financial year. At the constituent Supervisory Board meeting held after the Annual General Meeting, Dr Jörg Neermann was confirmed as Chairman of the Supervisory Board.

2. FINANCIAL POSITION, CASH FLOWS AND FINANCIAL PERFORMANCE

2.1 FINANCIAL PERFORMANCE

REVENUE :: Revenue was generated exclusively from research cooperation agreements and amounted to €238 thousand in the second quarter of 2010 and to €518 thousand in the first half of 2010. This contrasts with €462 thousand and €967 thousand in the respective prior-year periods.

OPERATING EXPENSES :: Operating expenses, comprising the cost of sales, distribution costs, research and development costs and administrative costs, rose by approximately one-third to €5,600 thousand in the second quarter of 2010 compared to the same period in 2009 (€4,186 thousand). Operating expenses in the first six months of 2010 stood at €11,163 thousand, an increase of almost 30% over the first half of 2009 (€8,628 thousand).

The increase in operating expenses in both the second quarter and the first half of 2010 can be attributed to higher research and development costs and to higher administrative costs. On a year-on-year basis, research and development costs rose from €3,158 thousand to €4,527 thousand in the second quarter and from €6,546 thousand to €9,026 thousand in the first half of the year – in each case due to a significant expansion of development activities. The increase in administrative costs of 15% in the second quarter to €916 thousand (previous year: €794 thousand) and of 12% in the first six months to €1,806 thousand (previous year: €1,608 thousand) resulted in particular from non-cash staff costs under stock options and higher costs for investor relations activities.

By contrast, the cost of sales and distribution costs declined, with the lower revenue reducing the cost of sales by 43% to €81 thousand between April and June and by 34% to €195 thousand in the first half of the year. Distribution costs (essentially consisting of the business development activities and PR/ marketing) fell by 16% to €76 thousand in the second quarter and by 23% to €136 thousand in the first six months. This is due to reduced expenses for public relations.

OPERATING PROFIT/LOSS :: As expected, the Company's loss from operating activities rose, amounting to €5,349 thousand after €3,700 thousand in the second quarter of 2009. The operating loss posted for the first half of the year thus increased by 40% to €10,623 thousand (previous year: €7,568 thousand).

NET FINANCE INCOME/LOSS :: Net finance income decreased from €119 thousand to €44 thousand in the second quarter and from €276 thousand to €43 thousand in the first six months of 2010. The still very low interest rates on the capital markets resulted in a sharp drop in finance income to €33 thousand in the second quarter (previous year: €76 thousand) and €46 thousand in the first six months (previous year: €260 thousand). The share in the profit/loss of associates also fell year-on-year to €17 thousand in the second quarter (previous year: €44 thousand) and €6 thousand in the first half (previous year: €59 thousand). Although finance costs in the second quarter were higher than in the previous year at €-6 thousand (previous year: €-1 thousand), an improvement was registered for the first half at €-9 thousand (previous year: €-43 thousand).

PROFIT/LOSS FOR THE PERIOD :: The Company reported a loss of €5,306 thousand for the period from April to June 2010, up from €3,584 thousand in the second quarter of 2009. The loss for the first six months of 2010 amounted to €10,573 thousand, 45% more than in the first half of 2009, when the Company posted a loss of €7,285 thousand.

EARNINGS PER SHARE :: While the loss for the period rose, basic and diluted earnings per share remained virtually unchanged year-on-year in both the second quarter and the first half of 2010 at €-0.14 between April and June 2010 (previous year: €-0.13) and €-0.27 between January and June 2010 (previous year: €-0.26). This is due to a higher number of issued shares as a result of the capital increase in November 2009.

2.2 FINANCIAL POSITION

NON-CURRENT ASSETS :: Non-current assets rose to €19,251 thousand at the reporting date compared to €16,695 thousand as at 31 December 2009. This was attributable to the increase in other financial assets from €154 thousand to €3,154 thousand. The investment of funds of €3,000 thousand with a remaining term at the reporting date of more than twelve months is included in this item. Intangible assets remained the largest item of non-current assets in the statement of financial position, amounting to €14,413 thousand at the reporting date (31 December 2009: €14,837 thousand).

CURRENT ASSETS :: Current assets declined substantially from €37,208 thousand as at 31 December 2009 to €24,722 thousand. This decrease is primarily attributable to cash and cash equivalents, which fell from €35,521 thousand to €23,503 thousand as a result of 4SC's operating business but also due to the acquisition of the financial assets of €3,000 thousand reported under non-current assets.

EQUITY :: The decline in equity of 20% from €50,909 thousand as at 31 December 2009 to €40,518 thousand as at 30 June 2010 reflected the loss for the first half of the year of €10,573 thousand. Hence, the accumulated deficit rose from €56,372 thousand to €66,945 thousand.

At 92.1%, the equity ratio at the reporting date was down 2.3 percentage points on the figure for 31 December 2009.

CURRENT AND NON-CURRENT LIABILITIES :: Both current and non-current liabilities were up compared to 31 December 2009, non-current liabilities increasing from €104 thousand to €204 thousand and current liabilities from €2,890 thousand to €3,251 thousand. This was attributable to the increase in other liabilities, in the current items principally comprising unbilled external services.

TOTAL ASSETS/TOTAL EQUITY AND LIABILITIES :: The balance sheet total amounted to €43,973 thousand as at 30 June 2010, down €9,930 thousand or 18.4% on the end-of-year figure of €53,903 thousand.

2.3 CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES :: Cash totalling €8,889 thousand was used for operating activities in the first six months of 2010. The change compared to the pre-tax loss of €10,580 thousand is attributable to adjustments for non-cash items in the statement of comprehensive income (principally depreciation and amortisation 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 outflows from operating activities came to €6,771 thousand with a pre-tax loss of €7,292 thousand.

CASH FLOWS FROM INVESTING ACTIVITIES :: The cash outflows from investing activities in the first half of the year amounted to €3,129 thousand. This includes investments of €228 thousand in property, plant and equipment and €1 thousand in intangible assets. In addition 4SC purchased financial instruments worth €3,000 thousand and sold financial instruments in the amount of €100 thousand.

In the same period of 2009 the Company invested €29 thousand in intangible assets and €234 thousand in property, plant and equipment. The purchase and sale of financial instruments generated net cash inflows of €8,044 thousand, which resulted in positive cash flows from investing activities totalling €7,781 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, cash outflows 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 €23,503 thousand at the reporting date. As additional funds of €3,000 thousand were invested in non-current financial instruments, total funds amounted to €26,503 thousand as at 30 June 2010 (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. 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 in the next six months either. 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.

PRODUCT DEVELOPMENT RISKS :: The success of 4SC stands and falls with its research and development projects. 4SC is subject to development risks because it is a product-focused biotechnology company. Development risks are particularly pronounced in the biotech industry owing to drug candidates' long development cycles. Typical risks include the following: Individual drug candidates are ineffective or have side effects such that they cannot be successfully advanced, or the responsible authorities do not grant the requisite approvals at all or only after a delay.

This also applies to the ongoing Phase II studies for vidofludimus and resminostat and for the Phase I studies for 4SC-203 und 4SC-205, as well as for the preclinical projects 4SC-202 and 4SC-207. Although the study results available to date have shown that the drug candidates are safe to use and well-toler-

ated, the Company cannot rule out that in ongoing or pending studies they may turn out not to be sufficiently efficacious in treating patients, or side effects may emerge which are classed as relevant to safety. This could result in delays or even the discontinuation of clinical development.

Additionally a sufficient number of suitable volunteers and patients must be recruited for clinical studies. This can occur at a sluggish pace and encounter delays, given the complex medical circumstances that surround clinical studies. In addition, clinical study centers might be unable to recruit a sufficiently large number of patients for the clinical study in question because other clinical studies are being conducted concurrently. In turn, this could jeopardise the studies' timeline.

PROJECT-RELATED PROGRESS ENHANCES THE COMPANY'S ENTERPRISE VALUE :: A variety of 4SC'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 next six months, and the results from the Phase IIb study in RA are expected in this period as well. Phase I results for the compound 4SC-203 are also anticipated before the end of 2010. If the data is positive, these results will have a positive impact both on the assessment of the individual projects and the measurement of the Company's aggregate value.

EXTERNAL PARTNERSHIPS AND LICENSING AGREEMENTS ENHANCE THE COMPANY'S ENTERPRISE VALUE :: 4SC is involved in intensive and regular discussions with potential partners. These days, pharmaceutical companies are entering into cooperation agreements and licensing partnerships for new products at earlier development stages (e.g. clinical phase I and II). There are various reasons for this: for one, many patents for existing products are expiring and, for another, different kinds of setbacks occur in development projects. For this reason, partnerships between pharmaceutical and biotechnology companies are increasingly organised in favour of the biotech industry. In the medium to long term, this trend is also likely to benefit 4SC and its project portfolio because with its programmes the Company is now in or moving towards stages of development that are interesting for pharmaceutical companies. Moreover, these types of partnerships would further validate 4SC's development candidates and confirm the Company's business model.

4. OUTLOOK

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.

Several important milestones are expected to be met before the end of the current financial year. 4SC anticipates significant clinical results in the field of autoimmune diseases in particular: the results for vidofludimus in the Phase IIa study in IBD are scheduled to be reported in the second half of 2010, while

the findings for the same drug candidate in the Phase IIb study in RA are expected at the end of 2010.

Phase I results for the compound 4SC-203 are also due to become available this year. In addition, the launch of a Phase I/II colon cancer study with resminostat and the commencement of 4SC-202 in Phase I development will enhance the sustainability of the Company's product pipeline in 2010.

Further clinical results in the oncology pipeline will be reported in 2011: the Phase II studies with resminostat in the indications HCC and HL are expected to be completed and yield value-enhancing clinical results. Also slated are Phase I results with 4SC-205 in patients with solid or malignant tumours.

4SC is well positioned financially to meet all of the above-mentioned milestones: According to our planning, total funds of €26,503 thousand and the anticipated revenue will safeguard the further financing of 4SC AG up to approximately the end of 2011. Until then, management expects to generate additional cash inflows and revenue through cooperation agreements and partnerships. Any further capital requirements could be met through additional equity or borrowings in order to ensure the Company's continued existence in the medium and long term.

Planegg-Martinsried, 2 August 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 30 JUNE 2010

in €000's	Q2.2010	Q2.2009	6M 2010	6M 2009
Revenue	238	462	518	967
Costs of sales	- 81	- 143	- 195	- 297
GROSS PROFIT	157	319	323	670
Distribution costs	- 76	- 91	- 136	- 177
Research and development costs	- 4,527	- 3,158	- 9,026	- 6,546
Administration costs	- 916	- 794	- 1,806	- 1,608
Other income	13	24	22	93
OPERATING PROFIT/LOSS	- 5,349	- 3,700	- 10,623	- 7,568
NET FINANCE INCOME/LOSS				
Shares in profit/loss from associates	17	44	6	59
Finance income	33	76	46	260
Finance costs	- 6	- 1	- 9	- 43
NET FINANCE INCOME/LOSS	44	119	43	276
EARNINGS BEFORE TAX	- 5,305	- 3,581	- 10,580	- 7,292
Income taxes	- 1	- 3	7	7
PROFIT/LOSS FOR THE PERIOD	- 5,306	- 3,584	- 10,573	- 7,285
MEASUREMENT OF FINANCIAL INSTRUMENTS				
Changes in fair values of available-for-sale financial assets	0	- 2	0	1
MEASUREMENT OF FINANCIAL INSTRUMENTS	0	- 2	0	1
COMPREHENSIVE INCOME/LOSS	- 5,306	- 3,586	- 10,573	- 7,284
Earnings per share (basic and diluted; in €)	- 0.14	- 0.13	- 0.27	- 0.26

STATEMENT OF FINANCIAL POSITION

FOR THE PERIOD ENDED 30 JUNE 2010

in €000's	30.06.2010	31.12.2009
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	14,413	14,837
Property, plant and equipment	1,460	1,485
Investments accounted for using the equity method	67	62
Other financial assets	3,154	154
Other assets	157	157
NON-CURRENT ASSETS	19,251	16,695
CURRENT ASSETS		
Inventories	22	22
Trade accounts receivable	283	535
Receivables from investees	0	0
Other financial assets	0	100
Cash and cash equivalents	23,503	35,521
Current tax assets	173	162
Other assets	741	868
CURRENT ASSETS	24,722	37,208
TOTAL ASSETS	43,973	53,903
EQUITY AND LIABILITIES		
EQUITY		
Subscribed capital	38,503	38,503
Share premium	67,836	67,836
Reserves	1,124	942
Accumulated deficit	- 66,945	- 56,372
EQUITY	40,518	50,909
NON-CURRENT LIABILITIES		
Deferred tax liabilities	32	39
Other liabilities	172	65
NON-CURRENT LIABILITIES	204	104
CURRENT LIABILITIES		
Trade accounts payable	843	913
Accounts payable to associates	0	29
Provisions	45	45
Other liabilities	2,363	1,903
CURRENT LIABILITIES	3,251	2,890
TOTAL EQUITY AND LIABILITIES	43,973	53,903

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2010

in €000's	6M 2010	6M 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Result before taxes	- 10,580	- 7,292
<i>Adjustment for statement of comprehensive income items</i>		
Depreciation and amortisation	678	639
Net finance income/loss	- 43	- 276
Stock options	182	44
Other non-cash affecting items	1	- 253
<i>Changes in statement of financial position items</i>		
Inventories	0	- 4
Trade accounts receivable	252	30
Current tax assets	- 11	- 51
Other assets	127	268
Trade accounts payable	- 70	- 558
Accounts payable to associates	- 29	- 32
Other liabilities	567	242
Interest received	38	473
Interest paid	- 1	- 1
CASH FLOWS FROM OPERATING ACTIVITIES	- 8,889	- 6,771
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	- 1	- 29
Purchase of property, plant and equipment	- 228	- 234
Purchase of financial investments	- 3,000	- 5,956
Sale of financial investments	100	14,000
CASH FLOWS FROM INVESTING ACTIVITIES	- 3,129	7,781
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	- 12,018	108
+ Cash and cash equivalents at the beginning of the period	35,521	7,346
= CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	23,503	7,454

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2010

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)			3				3
Options issued (ESOP 2004/2006/1)			2				2
Options issued (ESOP 2006/2006/2)			25				25
Options issued (ESOP 2006/2007)			2				2
Options issued (ESOP 2006/2008)			11				11
Comprehensive income / loss 01.01.-30.06.2009					1	- 7,285	- 7,284
<i>Measurement of financial instruments</i>					1		1
<i>Profit / loss for the period 01.01.-30.06.2009</i>						- 7,285	- 7,284
BALANCE ON 30.06.2009	28,503	48,101	799	67	- 2	- 47,550	29,918
BALANCE ON 01.01.2010	38,503	67,836	875	67	0	56,372	50,909
Options issued (ESOP 2004/2005)			1			1	1
Options issued (ESOP 2004/2006/1)			1			1	1
Options issued (ESOP 2006/2006/2)			14			14	14
Options issued (ESOP 2006/2007)			1			1	1
Options issued (ESOP 2006/2008)			9			9	9
Options issued (ESOP 2009/2009)			156			156	156
Comprehensive income / loss 01.01.-30.06.2010						- 10,573	- 10,573
<i>Profit / loss for the period 01.01.-30.06.2010</i>						- 10,573	- 10,573
BALANCE ON 30.06.2010	38,503	67,836	1,057	67	0	- 66,945	40,518

NOTES TO THE INTERIM FINANCIAL STATEMENTS

AT 30 JUNE 2010

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 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 2 August 2010. The discussion of the interim financial statements by the Audit Committee of the Supervisory Board and the Management Board in line with the German Corporate Governance Code (as amended on 18 June 2009) was held via teleconference on 27 July 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).

	Q2.2010	Q2.2009	6M 2010	6M 2009
Based on profit/loss for the period (in €000's)	- 5,306	- 3,584	- 10,573	- 7,285
Based on average number of shares (in thsd)	38,503	28,503	38,503	28,503
EARNINGS PER SHARE (BASIC AND DILUTED, IN €)	- 0.14	- 0.13	- 0.27	- 0.26

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 the 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 in borrower's note loans for better return. The reconciliation from the statement of cash flows to the total cash balance is shown in the following table:

in €000's	30.06.2010	31.12.2009	30.06.2009
Cash and cash equivalents at the end of the period	23,503	35,521	7,454
Other financial assets (non-current)	3,000	0	0
Other financial assets (current)	0	100	6,455
CASH BALANCE/FUNDS	26,503	35,621	13,909

4. SHAREHOLDINGS AND DIRECTORS' DEALINGS

In the second 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 €
28.04.2010	Dr Ulrich Dauer	Management Board Member	Share purchase	Over the counter	2.8416	6,800	19,322.88

The following overviews show the shares and stock options held by members of the Management Board and Supervisory Board as at the 30 June 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 30.06.2010
MANAGEMENT BOARD				
Dr Ulrich Dauer	430,639	6,800	0	437,439
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	6,800	0	924,242
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 30.06.2010	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

QUATTRO RESEARCH GMBH, PLANEGG-MARTINSRIED :: 4SC maintains legal relations with quattro research GmbH, in which it has held a 48.8% stake of the share capital since its founding at the beginning of 2004. In particular, a software service contract exists between the companies, on the basis of which quattro research GmbH renders services for improvement, further development, user support, further training and database maintenance with respect to software created by 4SC for supporting research activities. For the period from January to June 2010, this contract had a net volume of €128 thousand (2009: €128 thousand). In addition, there is an IT service contract, on the basis of which quattro research GmbH provides maintenance services for 4SC's infrastructure. As a result of this contract, 4SC incurred net costs of €21 thousand in the first six months (2009: €21 thousand).

In addition, a business relationship exists between 4SC as main tenant and quattro research GmbH as subtenant in the offices of 4SC, including office equipment, telephone and Internet connection. The rent payable by quattro research GmbH is based on the conditions of 4SC's lease. In the reporting period, the Company recognised income from subletting premises in the amount of €14 thousand (2009: €13 thousand).

DONNER & REUSCHEL AKTIENGESELLSCHAFT, HAMBURG :: Based on the contract signed in December 2005, Donner & Reuschel Aktiengesellschaft (formerly: Conrad Hinrich Donner Bank, CHD), has assumed the function of payment and depository agent for 4SC, which triggers an annual expenditure of €3 thousand. One of the Bank's Management Board members, Marcus Vitt, is a brother of 4SC's CSO, Dr Daniel Vitt.

In addition, Donner & Reuschel Aktiengesellschaft has advised 4SC since October 2008 on optimising its relationships with private and institutional investors. In the reporting period, 4SC incurred expenses of €14 thousand (2009: €14 thousand).

OTHER RELATED PARTY TRANSACTIONS :: Beyond this, there were further business transactions with related parties, where the transaction volume in the reporting period in each case did not exceed €10 thousand or where the total annual transaction volume is likely not to exceed €10 thousand.

6. REVIEW

The interim financial statements and the interim management report as of 30 June 2010 have been subjected to a review by KPMG AG Wirtschaftsprüfungsgesellschaft, Munich.

7. EVENTS AFTER THE END OF THE REPORTING PERIOD

No events occurred after the end of the reporting period that have a significant effect on 4SC's financial position, cash flows and financial performance.

REVIEW REPORT

To 4SC AG, Planegg, District of Munich

We have reviewed the condensed interim financial statements – comprising the statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in equity and selected explanatory notes – together with the interim management report of the 4SC AG, Planegg, District of Munich, for the period from January 1 to June 30, 2010 that are part of the semi annual according to § 37 w WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim management report in accordance with the requirements of the WpHG applicable to interim management reports, is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim financial statements and on the interim management report based on our review.

We performed our review of the condensed interim financial statements and the interim management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim management reports. A review is limited primarily to inquiries of company employees and analytical

assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

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

Without qualifying this opinion, we refer to the discussion in section 4 in the interim management report. Therein it is disclosed that the Company’s ability to continue as a going concern in the medium and long term depends on the contribution of cash or liquid assets in the form of equity capital or debt financing, if cooperation and partnerships should not generate sufficient funds.

Munich, August 2, 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]
Pastor Rahn
Wirtschaftsprüferin Wirtschaftsprüfer
[German Public Auditor] [German Public Auditor]

:: RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report

includes a fair review of the development and performance of the business and the position of the company, together with a description of the material opportunities and risks associated with the expected development of the company.

Planegg-Martinsried, 2 August 2010



Dr Ulrich Dauer, CEO



Dr Bernd Hentsch, CDO



Dipl.-Kfm. Enno Spillner, CFO



Dr Daniel Vitt, CSO

:: GENERAL/PUBLISHING INFORMATION

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:: FINANCIAL CALENDAR

30 MARCH 2010

Annual Report 2009 ✓

11 MAY 2010

Half Year 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

22 – 24 NOVEMBER 2010

Analysts Meeting: Deutsches Eigenkapitalforum
Congress Center Messe Frankfurt

To offer successful therapies for **AUTOIMMUNE DISEASES**.

To develop innovative drugs in **ONCOLOGY**.

BY PEOPLE. WITH PEOPLE. FOR PEOPLE.

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