



9 MONTHS FINANCIAL REPORT as at 30 SEPTEMBER 2009 (IFRS)



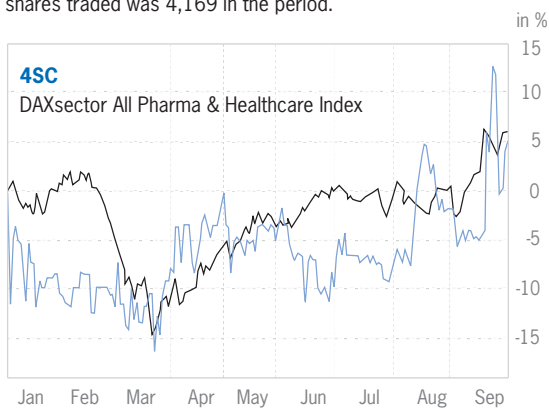
**9 MONTHS FINANCIAL REPORT
as at 30 SEPTEMBER 2009 (IFRS)**

KEY FINANCIAL FIGURES

in €000	Q3 2009 as at 2009-09-30	Q3 2008 as at 2008-09-30	9M 2009	9M 2008
Net sales	384	490	1,351	2,472
Results from operating activities	- 4,401	- 3,777	- 11,969	- 8,484
Period results	- 4,339	- 3,370	- 11,624	- 7,829
Equity	25,603	41,342		
Equity ratio	88.4%	91.9%		
Total assets	28,969	44,976		
Cashflows from operating and investing activities	- 906	- 35,036	104	- 33,778
Cashflows from financing activities	0	29,359	- 902	29,359
Net change in cash and cash equivalents	- 906	- 5,677	- 798	- 4,419
Cash and cash equivalents	6,548	5,916		
Funds	10,613	25,663		
Employees				
Number of employees	93	83		

4SC SHARE-PRICE (XETRA)

In the nine-month period, 4SC's share-price reached a high of €3.50 on 22 September, 2009. The share-price reached a low of €2.60 on 23 March, 2009. The average daily volume of shares traded was 4,169 in the period.



GENERAL INFORMATION

Security code

number 575381
ISIN DE0005753818
SE code VSC

Management Board

Dr Ulrich Dauer, CEO
 Dr Bernd Hentsch, CDO
 Dipl.-Kfm. Enno Spillner, CFO
 Dr Daniel Vitt, CSO

Principal office

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

IR Contact

Yvonne Alexander
 E-Mail: Yvonne.Alexander@4SC.com
 Phone +49 (0) 89 700763-0
 www.4SC.com

CONTENTS

THE COMPANY

Key Financial Figures	02
Share-Price	02
General Information	02
Shareholder Letter	04

INTERIM MANAGEMENT REPORT

Business Performance	05
Financial Review	08
Risks and Opportunities Report	11
Events after the Reporting Period	11
Outlook	12

QUARTERLY FINANCIAL STATEMENT

Statement of Comprehensive Income	13
Statement of Financial Position	14
Statement of Cash Flows	15
Statement of Changes in Equity	17
Notes	18

OTHER INFORMATION

Financial Calendar	22
Publishing Information	22



DEAR SHAREHOLDERS

During the third quarter of 2009, 4SC continued to advance the clinical development programmes for its two lead drug products in order to enhance their attraction for future licensing partnerships with the pharmaceutical industry. In parallel, we continued our active portfolio management by allocating our financial resources to the most value-creating programmes.

We initiated the first proof-of-concept-study with 4SC-201, our lead oncology compound, in hepatocellular carcinoma (HCC), an indication with large unmet medical need. HCC is the third leading cause of cancer-related deaths globally, with sorafenib (trade name: Nexavar) being the only approved treatment against advanced stages of this disease.

Our Phase II SHELTER trial is an open-label, two-arm and multicentre study and will evaluate whether 4SC-201 can induce progression free survival and tumour responses in patients with progressive disease. The promising preclinical and clinical data of 4SC-201, which belongs to the class of HDAC inhibitors, were presented in September 2009 at the European Multidisciplinary Cancer Conference ECCO 15 – ESMO 34 in Berlin, Germany, the largest European oncology conference.

Furthermore, the preparations for a Phase IIb trial for 4SC-101 in rheumatoid arthritis (RA) were largely finalised. In this two-arm-study, 4SC-101 will be tested on the background of methotrexate, the small molecule standard of care in RA, with the goal of achieving improved efficacy in this combination whilst providing a benign side-effect profile.

In order to further enhance the value of 4SC-101 we aim to highlight a second important autoimmune indication with the ongoing exploratory Phase IIa study in inflammatory bowel disease (IBD). In order to accelerate patient recruitment and to enlarge the commercial potential of this product, 4SC decided to extend the indication from Crohn's disease to now also include patients with ulcerative colitis.

Looking ahead, 4SC is finalising the preparations to commence a second Phase II trial with 4SC-201 by the end of 2009. Given the fact that oncology compounds from the class of HDAC inhibitors have shown promising efficacy in hematologic tumours, we chose Hodgkin's lymphoma as the second indication to potentially achieve proof-of-concept. Additionally, we are finalising the preparations for the



Dr Ulrich Dauer, Chairman of the Management Board

first-in-man trials for 4SC-203 and 4SC-205, two advanced candidates from our preclinical oncology pipeline, based on compelling preclinical data.

We expect to deliver clinical proof-of-concept data for various programmes during 2010 and 2011 as the base for potential growth through licensing partnerships with pharmaceutical companies which are investing in new drug candidates in indications of high medical need. 4SC has recently addressed its capital requirements by announcing a capital increase, in order to ensure we can achieve our corporate goals in the medium to long term. We are convinced that by delivering on our clinical milestones and thereby expanding the future potential of our product pipeline, we are executing on a corporate strategy that will drive the value of the company.

Thank you for your continued support.

A handwritten signature in dark ink, appearing to read 'Ulrich Dauer', written in a cursive style.

Yours sincerely

Dr Ulrich Dauer
Chairman of the Management Board

1. BUSINESS PERFORMANCE

1.1 Current Developments in the Biotech Sector

The reporting period was characterised by strong revenue and earnings growth in the second quarter by a number of top-tier biotech companies such as Gilead, Amgen and Actelion as well as numerous clinical data announcements in rheumatoid arthritis in the US and Europe. In total, three companies announced later stage clinical results for small-molecules and an antibody.

In July 2009, the Danish company Genmab and its co-development partner GlaxoSmithKline released positive Phase III headline data for the antibody ofatumumab in patients who had had an inadequate response to methotrexate (MTX), the first-line standard of care.

Also in July, US firm Rigel reported that its second Phase IIb trial, TASKi3, with small molecule drug R788, did not meet its primary endpoints due to high placebo rates. This trial was conducted in patients with an advanced stage of the disease who had previously failed biologic therapies, and contrasted to the positive results the company had achieved in TASKi2 in patients who had failed to respond to methotrexate (MTX) alone. Moreover, high blood pressure remained the leading side-effect of R788, consistent with prior trials.

Lastly, in September, Array BioPharma announced preliminary data that showed its small molecule ARRY-162 MEK inhibitor did not meet the primary endpoint in its Phase II study. The patient group investigated was also non-responsive to MTX and the placebo response rates were higher than expected and showed regional differences.

1.2 4SC Share-Price Performance

In the third quarter 2009, 4SC's share-price outperformed the German DAXsector All Pharma & Healthcare Index, in which 4SC is included. On 30 September 2009, 4SC's share-price closed at €3.27, resulting in a 15.5% gain compared to its opening price of €2.83 on 1 July, 2009. In the same period, the All Pharma Healthcare index reported a moderate gain of 5.3%, whilst the NASDAQ Biotechnology Index gained 12.3% and closed on 30 September, 2009, at 839.61 points.

In the nine-month period, 4SC's share-price performance was in-line with the DAXsector All Pharma & Healthcare Index. 4SC's share-price gained 6.5% from its opening price of €3.07 on 2 January, 2009, whilst the DAXsector All Pharma & Healthcare Index also gained 6.5%.

1.3 Business Review

1.3.1 Clinical Programmes Overview

4SC continued to advance its clinical development programmes in the third quarter in order to progress and broaden its clinical pipeline in auto-immune and oncology indications, and position the two lead drug candidates, 4SC-101 and 4SC-201, for future value-enhancing partnerships.

The key developments in the past quarter were the initiation of the first Phase II study with the lead oncology compound 4SC-201 (resminostat) in hepatocellular carcinoma (HCC), as well as the final preparations for the Phase IIb trial with 4SC-101 in RA. Great strides were also made with the early and preclinical projects. The Company expects to progress into further clinical trials in the upcoming quarters with the most suitable candidates, in order to manage financial resources as effectively as possible.

1.3.2 Autoimmune Diseases

In the third quarter of 2009 clinical trial preparations for the "COMPONENT" Phase IIb study of 4SC-101 in RA were completed. After the close of the third quarter, the required approvals for the start of this clinical study were received from the regulatory authorities in October 2009, in the study corresponding countries, i.e. Poland, Bulgaria, Czech Republic and Romania.

The study will evaluate 4SC-101, an oral, small-molecule, disease-modifying anti-rheumatic drug (DMARD) in combination with MTX, the leading first-line, small-molecule therapy against RA. The study was designed in order to develop 4SC-101 as an oral DMARD that can be given in combination with MTX, the preferred initial prescribing regimen recommended to physicians for patients with mild to moderate RA by the European League Against Rheumatism (EULAR), the organisation which represents the patient, health professional and scientific societies of rheumatology of all the European nations.

COMPONENT will be a two-arm, randomised, double-blind, placebo-controlled, multinational and multicentre Phase IIb study that is evaluating 4SC-101 in combination with MTX compared to MTX monotherapy. The trial arms consist of 122 patients per arm. The first arm will receive 35mg of 4SC-101 and MTX and the second arm will receive placebo and MTX and the study will run for 13 weeks. Inclusion criteria require active RA patients with prior stable do-

sing of 10 to 25mg/week MTX of at least three months, and at least six weeks prior to day one dosing. The primary endpoint is ACR20. Secondary endpoints are ACR50, ACR70, DAS28 as well as safety and pharmacokinetics. The study is expected to begin imminently and preliminary results are expected by the end of 2010.

In addition to the preparations for the 4SC-101 Phase IIb study in RA, recruitment continued for the exploratory, open-label Phase IIa study of 4SC-101 in inflammatory bowel diseases (IBD). This study commenced in March 2009 in Crohn's disease and received an extension of eligibility criteria from the German Federal Institute for Drugs and Medical Devices (BfArM) to include ulcerative colitis patients. The study enables the Company to investigate the potential efficacy of the compound in both inflammatory bowel diseases. In this trial, 24 patients receive a 35 mg dose of 4SC-101 once daily over a period of twelve weeks. Interim results continue to be expected to report in Q1 2010.

1.3.3 Oncology

4SC's oncology pipeline candidates continued to advance. In the third quarter, the Company commenced one of two Phase II studies planned for 2009 with the pan-histone deacetylase (HDAC) inhibitor, 4SC-201 (resminostat), the lead oncology compound. Furthermore, preparations were completed to move two additional candidates from preclinical testing into the clinic this year.

In August 2009, 4SC-201 commenced the Phase II "SHELTER" study in HCC, the most prevalent form of liver cancer. HCC is the third leading cause of cancer-related deaths globally. Sorafenib (trade name: Nexavar) is currently the only approved treatment as a first-line therapy against advanced stages of HCC, whilst chemotherapy has not shown to be very effective.

SHELTER is an open-label, two-arm, multicentre study to see if 4SC-201 as a monotherapy or in combination with sorafenib, can induce progression free survival and tumour responses in patients with progressive disease. The first study arm includes 15 patients and contains a dose-escalation assessing 200mg to 600mg of 4SC-201 in combination with sorafenib. The second arm of the study includes 15 patients taking 600mg of 4SC-201 as a monotherapy. The study will follow a "5+9" (five days treatment with 4SC-201, followed by nine days without 4SC-201) dosing schedule and this 14 day cycle of treatment with 4SC-201 will be repeated in

both study arms until there is evidence of progressive disease. The patients will be assessed after six and 12 weeks through radiography and they optionally can extend the study until they choose to withdraw or have progressive disease. In addition, the study allows an extension study with an additional ten additional patients per arm.

The primary endpoint is progression free survival rate (PFSR) after twelve weeks. The secondary endpoints include the analysis of time-to-progression (TTP), PFSR estimated at six and beyond twelve weeks of treatment, overall survival, analysis of drug safety, tolerability, pharmacokinetics and biomarkers.

In September 2009, data generated from the Phase I study of 4SC-201, were presented at a poster session at ECCO-ESMO, the largest European cancer conference in Berlin, Germany. The poster highlighted the anti-tumour activity of the compound in the 18 patient trial completed earlier this year. Data were also presented that provided an overview of the preclinical activity of 4SC-201 in liver cancers.

In line with the strategic clinical development plan for 4SC-201, Hodgkin's Lymphoma (HL) was chosen as the second indication in the quarter. HDAC compounds have shown particular efficacy in this haematological cancer. This Phase II study is planned to commence before the end of 2009. Furthermore, 4SC is currently investigating additional clinical options to also develop 4SC-201 in combination with selected standard cancer chemotherapeutic agents, paving the way for potential entry into further broad cancer markets.

One of the candidates to enter into Phase I studies this year is 4SC-203, a kinase inhibitor of enzymes which are implicated in the signal modulation of specific leukemic cells and which will be developed in the first instance for the treatment of acute myeloid leukemia (AML), a malignant blood cancer. In the third quarter of this year, discussions were completed with the BfArM on the Phase I trial design of this first-in-man study. Following the recommendations of the regulatory body, 4SC will investigate the safety and tolerability of 4SC-203 in healthy volunteers. This step has also been taken in order to accelerate the assessment of initial data on dosing of this compound which will be crucial for the design of subsequent and expanded clinical test series.

4SC PRODUCT PIPELINE

Currently there are six drug candidates in different development stages.

Product	Preclinical	Phase I	Phase II	Phase III	Indication
4SC-101	DHODH / IL17 „COMPONENT“				Rheumatoid Arthritis
4SC-101	DHODH / IL17 „ENTRANCE“				Inflammatory Bowel Disease
4SC-201 Resminostat	HDAC „SHELTER“				Hepatocellular Carcinoma (HCC)
4SC-201 Resminostat	HDAC „SAPHIRE“				Hodgkin's Lymphoma
4SC-203	Kinase Inhibitor				Acute Myeloid Leukaemia (AML)
4SC-205	Eg5-kinesin				Solid Tumors
4SC-202	HDAC				Haematologic and solid Tumors
4SC-207	CCB				Solid Tumors

In addition to the commencement of clinical development of 4SC-203, preclinical testing of another advanced clinical candidate compound, 4SC-205, an Eg5-kinesin spindle protein inhibitor which inhibits the growth of tumour cells, is also being completed, targeting the entry into a Phase I study in solid tumour patients this year.

1.3.4 Preclinical Projects Overview

Additionally, in the third quarter, preclinical studies continued to be conducted across a selected number of later stage candidates in order to identify and prioritise the drugs which show the most promising response rates and are viable for Phase I testing in the future. Consequent to our portfolio management principles, 4SC-207 in solid tumours will now be prioritised before 4SC-206, in order to meet the conditions required to commence a Phase I study. 4SC-207 is a cell-cycle blocker, which inhibits cell division and also affects cancer cells that have built up a resistance to taxanes, a class of frequently used chemotherapeutic agents. The Phase I study is expected to commence by the end of 2010.

1.4 Personnel

Number of employees

As at 30 September, 2009, 4SC had a staff of 89 employees (including one trainee) and four Management Board members. This represents a 12% increase over the period ending 30 September 2008 (79 employees and four Management Board members). In order to respond to the greater number of development programmes the team was expanded primarily in the development area.

Of the 89 employees and four Management Board members, 68 were in research and development, 22 in sales and administration, and three in information technology. In the prior year, out of 79 employees and four Management Board members, 61 were in research and development, 19 in sales and administration, and three in information technology.

2. FINANCIAL REVIEW

2.1 Financial Performance

Revenue

Revenue in the third quarter of 2009 was €384 thousand, down from €490 thousand in the same period the previous year. Over the first nine months of this year, revenue declined from €2,472 thousand in the previous year to €1,351 thousand. Whilst revenue of €750 thousand in the 2008 financial year was generated from the licensing agreement with Erlangen-based ViroLogik GmbH, revenue in the current financial year stems from research cooperation agreements alone.

Operating expenses

Two material factors account for the sharp reductions in the cost of sales from €853 thousand in the third quarter of 2008 to €111 thousand during the reporting period, as well as from €1,259 thousand in the first nine months of 2008 to €408 thousand from January to September 2009. For one, it reflects the downturn in revenue; for another, €694 thousand in appropriations to allow-ances related to Quiescence Technologies LLC (formerly QuoNova LLC) affected the cost of sales in 2008.

The decline in distribution costs from €307 thousand in the first nine months of 2008 to €268 thousand in the first nine months of 2009 resulted from the decrease in legal and consulting fees as well as from the fact that no commission on sales was paid in the current year.

Research and development costs rose again, as expected, from €2,991 thousand in the same quarter of the previous year by 25% to €3,746 thousand in the third quarter of this year and by 34% from €7,660 thousand in the first nine months of the previous year to €10,292 thousand in the same period the current year. As in the previous quarters, this was substantially due to both the integration of the oncology programmes that we acquired from Nycomed into our own pipeline and the ongoing development of 4SC's entire project pipeline, especially given the increase in external services, materials and patent costs. Personnel costs rose at the same time due to the expansion of our teams in the scientific divisions.

Administrative costs climbed in the third quarter of 2009 to €848 thousand, up from €720 thousand in the same period the previous year, partly as a result of the increase in costs for investor relations activities in connection with 4SC's enhanced presence at international industry and investor conferences. Legal and consulting fees increased at

the same time. Administrative costs also rose year on year against this backdrop, from €2,236 thousand in the first nine months of 2008 to €2,456 thousand in the same period the current year.

Other income

In large part, the year-on-year drop in other quarterly income from €368 thousand to €11 thousand, as well as from €506 thousand in the first nine months of 2008 to €104 thousand in the first nine months of 2009 is due to the income that was earned from Erlangen-based ViroLogik GmbH in the previous year. The income from this company had been generated by the pro rata charging of external services, specifically, €337 thousand in the third quarter of 2008 and €443 thousand in the first nine months of 2008.

Operating profit/loss

Due to the facts described above, the operating loss of 4SC rose from €3,777 thousand in the same period the previous year to €4,401 thousand in the third quarter of 2009. The cumulative loss from operating activities was €11,969 thousand, compared to an operating loss of €8,484 thousand in the first nine months of the previous year.

Net finance income/loss

The net finance income dropped sharply from €407 thousand in the third quarter of 2008 to €48 thousand in the reporting period, as well as from €655 thousand in the first nine months of 2008 to €324 thousand in the same period of the current year.

The investment income of €5 thousand that 4SC's equity interest in quattro research GmbH generated from July to September 2009 (previous year: €53 thousand) and the €64 thousand generated from January to September 2009 (previous year: €53 thousand) were recognised as profit from an associate accounted for using the equity method.

Finance income from both interest-bearing investments of the company's funds and the measurement of securities through profit or loss fell from €325 thousand in the third quarter of 2008 to €112 thousand during the reporting quarter. Year on year, finance income fell from €728 thousand to €372 thousand. This item reflects the substantial downturn in interest rates as well as the year-on-year decline in funds.

Finance costs during the reporting quarter were €69 thousand, due to the recognition of securities sold, where the effective interest rates are shown in two separate items in the statement of comprehensive income. Hence the interest income recognised in finance income is contrasted by the write-downs on the price in finance costs. In contrast, an income of €29 thousand had been recognised in the third quarter of 2008 due to the improvement of the end-of-period exchange rate of the US dollar against the euro between 30 June 2008 and 30 September 2008. Year on year, finance costs fell from €126 thousand to €112 thousand.

Income taxes

Tax income in the third quarter of 2009 was €14 thousand (previous year: €0) and resulted from the decrease in deferred tax liabilities compared to the 30 June 2009 reporting date. Deferred tax liabilities as of the end of the third quarter fell by €21 thousand from the level at 31 December 2008, generating the corresponding tax income.

Profit/loss for the period

The net loss for the period from July to September 2009 thus was €4,339 thousand (third quarter of 2008: €3,370 thousand). The net loss for the first nine months of the year rose from €7,829 thousand in 2008 to €11,624 thousand in 2009.

Earnings per share

Diluted and basic earnings per share were €- 0.15 in the third quarter of 2009, compared to a loss of €0.13 per share in the same period of the previous year. Year on year earnings per share fell from €- 0.36 in the first nine months of 2008 to €- 0.41 in the first nine months of 2009.

2.2 Financial position

Non-current assets

Non-current assets fell to €16,954 thousand as at the reporting date, down from €17,499 thousand as at 31 December 2008. This was substantially due to the decline in intangible

assets from €15,608 thousand to €15,042 thousand, resulting from amortisation of patents acquired. At the same time, fixed assets fell from €1,547 thousand to €1,504 thousand, due to depreciation. In contrast, investments accounted for using the equity-method rose from €33 thousand in the previous year to €97 thousand in the reporting year. There was no change in either the other financial assets (€154 thousand) or the other non-current assets (€157 thousand).

Current assets

Current assets fell from €23,595 thousand as at 31 December 2008 to €12,015 thousand as at the reporting date. This was largely due to the reduction in funds related to the business operations of 4SC AG, which are recognised in the items, "Other financial assets" and "Cash and cash equivalents".

Equity

The decline in equity from €37,158 thousand as at 31 December 2008 to €25,603 thousand as at 30 September 2009 closely tracks the loss of €11,624 thousand for the period. Hence the accumulated deficit climbed from €40,265 thousand to €51,889 thousand. The equity ratio declined from 90.4% as at 31 December 2008 by 2.0 percentage points to 88.4% as at the reporting date.

Current and non-current liabilities

Non-current liabilities fell from €109 thousand at the end of the 2008 financial year to €92 thousand as at the reporting date due to the decline in deferred tax liabilities during the same period. Current liabilities declined from €3,827 thousand to €3,274 thousand at the same time. The complete reduction in financial liabilities by €902 thousand had a positive effect on this item. The loans were repaid to the lender, Technologie Beteiligungsfonds Bayern GmbH & Co. KG, Munich, in early January 2009. In contrast, trade accounts payable and other liabilities rose, largely owing to the intensified use of third-party scientific services.

Total assets / Total equity and liabilities

As a result of the effects described above, total assets and total equity and liabilities fell from €41,094 thousand as at 31 December 2008 to €28,969 thousand as at 30 September 2009.

2.3 Cash flows**Cash flows from operating activities**

A total of €9,976 thousand was used for operating activities from January to September 2009. The pre-tax loss of €11,645 thousand had an effect on this outcome. In contrast, the working capital developed along a positive trajectory in the first nine months of 2009. Trade accounts receivable, claims for income tax refunds and other assets decreased whilst trade accounts payable as well as other liabilities increased.

A total of €5,902 thousand was used for operating activities in the same period the previous year, at a net loss for the period of €7,829 thousand.

Cash flows from investing activities

The net cash flows from investing activities in the first nine months of 2009 were €10,080 thousand, compared to an outflow of funds in the amount of €27,876 thousand the previous year. In the reporting period, 4SC invested €75 thousand in intangible assets and €279 thousand in property, plant and equipment. Whilst a total of €4,065 thousand were expended in the first nine months of 2009 for purchasing financial instruments with original maturities of more than three months, the disposal of financial instruments generated cash flows of €14,499 thousand during the same period.

The outflow of funds in connection with investing activities in the same period the previous year was due to several factors. These include investments of €14 million in intangible assets, particularly the rights to Nycomed's eight oncology projects, as well as investments of €675 thousand in fixed assets and equity investments of €154 thousand. During the same period, an outflow of €18,300 thousand to purchase financial instruments with original maturities of more than three months was partly compensated for by €5,383 thousand in inflows from the disposal of financial instruments.

Cash flows from financing activities

Long-term loans in the amount of €902 thousand were repaid in January 2009. The net cash flows of €29,359 thousand from financing activities in the same period the previous year was due to the capital increase on 14 July 2008.

Funds

Cash and cash equivalents at the end of the reporting period were €6,548 thousand. Additional funds of €4,065 thousand were invested in short-term fixed deposits. As at the 30 September 2009 reporting date, funds thus were €10,613 thousand (31 December 2008: €21,846 thousand).

3. RISK AND OPPORTUNITIES REPORT

Please see the management report as at 31 December 2008 for a detailed description of the risks and opportunities arising from our business activities as well as from 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 profit or loss of 4SC.

We cannot preclude with respect to the exploratory Phase IIa study of 4SC-101 involving patients with IBD that was launched in March 2009, as well as with respect to the planned Phase IIb study involving patients suffering from RA, that the compound in these indications might fail to have a sufficient effect on patients in the course of the studies or might exhibit negative side effects, or that other insights relevant to safety issues and regulatory requirements might impede any further development. The same also applies to 4SC-201 – the most advanced product in our oncology portfolio – for which we started a Phase II study for patients with HCC in the third quarter.

In addition, the complex medical parameters within which clinical studies are carried out could delay the re-

cruitment of an adequate number of patients and thus the execution of the respective clinical study as planned. The Crohn's disease trial of 4SC-101 was supplemented by the indication, ulcerative colitis, as part of our proactive risk management in order to prevent such a situation from occurring. The Phase IIa study is now being carried out as an IBD study.

These effects could trigger significant delays or even the suspension of the respective clinical development programme during these and other impending clinical studies and have a negative effect on the company's financial position, cash flows, profit or loss and share price. Such negative developments would undermine the company's chances of entering into development and marketing partnerships with interested parties in the pharmaceutical industry.

On the other hand, our plans call for various drug candidates to achieve various important milestones in the short and medium term; if successful, this would have a positive effect on the assessment of both the respective projects and the company as a whole. The achievement of such milestones would improve the company's chances of entering into potential partnerships with pharmaceutical companies, and the implementation of such partnerships would enhance the financial position, cash flows and profit or loss of 4SC.

4. EVENTS AFTER THE REPORTING PERIOD

On 23 October, 2009, 4SC announced that the Management Board, with the approval of the Supervisory Board, decided to increase the Company's share capital from €28,502,739.00 up to €39,903,834.00 through the issue of up to 11,401,095 common ordinary bearer shares at zero par value from the

authorised capital. The new shares will be offered at a subscription price of €3.00 per new share to the shareholders. The Company intends to raise in the range of €25 to 30 million. The rights-issue was published in the electronic Federal Register (Bundesanzeiger) on the 27 October, 2009.

5. OUTLOOK

4SC is continuing to deliver on its strategic objective of building a well balanced and broad pipeline of drug candidates that have the potential to offer alternative treatment options within auto-immune diseases and cancer which are based on real market need and delivered by efficacy, side-effect profile and price differentiation. 4SC pursues an active portfolio management strategy by prioritising those products that are expected to generate value-enhancing milestones in the future and will be of interest to potential partners after successful proof-of-concept.

4SC plans to announce interim results from its exploratory Phase IIa study with 4SC-101 in Q1 2010 in IBD. The company anticipates announcing results from its Phase IIb RA study by the end of 2010. Concurrently, the company continues to investigate the potential of its pan-HDAC 4SC-201, by running the compound in two carefully selected indications. In addition to the open-label, Phase II HCC trial currently in progress, the Phase II HL trial will commence in 2009. As mentioned above, we also anticipate that our preclinical candidates' 4SC-203 and 4SC-205 will enter the clinical development phase in 2009.

By maintaining a discovery operation at 4SC, we are ensuring the continued delivery of innovative compounds internally, as well as the generation of targets that could be of interest to potential partners for licensing and collaboration and will help the Company to manage development risk effectively.



Management Board of 4SC AG (from left to right): Dr Bernd Hentsch, Dipl.-Kfm. Enno Spillner, Dr Daniel Vitt and Dr Ulrich Dauer

In order to expand the funds of €10.6m as at 30 September 2009, management assumes additional cash will be generated through licensing, partnering agreements and the capital markets. The capital requirements, which are necessary to secure the operative business of 4SC on a mid-term perspective, will be covered through the capital increase announced on 23 October, 2009. This should support the achievement of corporate goals and generate value inflection points in the future.

Planegg-Martinsried, 30 October 2009

Dr Ulrich Dauer, CEO

Dr Bernd Hentsch, CDO

Dipl.-Kfm. Enno Spillner, CFO

Dr Daniel Vitt, CSO

STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 30 September 2009 (unaudited)

in €000	Notes	Q3 2009	Q3 2008	9M 2009	9M 2008
Revenue		384	490	1,351	2,472
Cost of sales		- 111	- 853	- 408	- 1,259
Gross profit		273	- 363	943	1,213
Distribution costs		- 91	- 71	- 268	- 307
Research and development costs		- 3,746	- 2,991	- 10,292	- 7,660
Administrative costs		- 848	- 720	- 2,456	- 2,236
Other operating income		11	368	104	506
Operating profit / loss		- 4,401	- 3,777	- 11,969	- 8,484
Net finance income / loss					
Profit / loss from an associate accounted for using the equity method		5	53	64	53
Finance income		112	325	372	728
Finance costs		- 69	29	- 112	- 126
Net finance income / loss		48	407	324	655
Earnings before taxes		- 4,353	- 3,370	- 11,645	- 7,829
Income taxes		14	0	21	0
Profit / loss for the period		- 4,339	- 3,370	- 11,624	- 7,829
Changes in fair values of available-for-sale financial assets		- 1	- 22	0	- 26
Amount reclassified to profit and loss		3	2	3	4
Measurement of financial instruments		2	- 20	3	- 22
Comprehensive income / loss		- 4,337	- 3,390	- 11,621	- 7,851
Earnings per share (basic and diluted; €)	2.	- 0.15	- 0.12	- 0.41	- 0.36

STATEMENT OF FINANCIAL POSITION

For the period ended 30 September 2009 (unaudited)

in €000	Notes	2009-09-30	2008-12-31
A S S E T S			
Non-current assets			
Intangible assets		15,042	15,608
Fixed assets		1,504	1,547
Investments accounted for using the equity method		97	33
Other financial assets		154	154
Other non-current assets		157	157
Total non-current assets		16,954	17,499
Current assets			
Inventories		28	26
Trade accounts receivables		457	580
Other financial assets	4.	4,065	14,500
Cash and cash equivalents	4.	6,548	7,346
Current tax assets		155	254
Other current assets		762	889
Total current assets		12,015	23,595
Total Assets		28,969	41,094
E Q U I T Y A N D L I A B I L I T I E S			
Equity			
Subscribed capital		28,503	28,503
Agio		48,101	48,101
Reserves		888	819
Accumulated deficit		- 51,889	- 40,265
Total equity		25,603	37,158
Non-current liabilities			
Other liabilities		63	59
Deferred tax liabilities		29	50
Total non-current liabilities		92	109
Current liabilities			
Trade accounts payable		1,717	1,370
Accounts payable to associated companies		1	32
Financial liabilities		0	902
Other liabilities		1,556	1,523
Total current liabilities		3,274	3,827
Total Equity and liabilities		28,969	41,094

STATEMENT OF CASH FLOWS

for the period from 1 January to 30 September 2009 (unaudited)

in €000	9M 2009	9M 2008
Cash flows from operating activities		
Result before taxes	- 11,645	- 7,829
Corrections for:		
Depreciation on fixed assets and intangible assets	963	467
Financial result	- 324	- 655
Non-cash affecting ESOP ¹	66	218
Non-cash affecting expenses and income	- 324	780
Interest received	589	486
Interest paid	- 1	- 27
Decrease / Increase of trade accounts receivables	123	- 409
Decrease of accounts receivables from associated companies	0	409
Increase of Inventories	- 2	- 8
Decrease / Increase of current tax assets	99	- 149
Decrease / Increase of other current assets	127	- 327
Increase of trade accounts payable	347	574
Decrease of accounts payable to associated companies	- 31	- 103
Increase of other liabilities	37	671
Cash flows from operating activities	- 9,976	- 5,902
Cash flows from investing activities		
Payments for investments in intangible assets	- 75	- 14,134
Payments for investments in fixed assets	- 279	- 675
Income from sale of fixed assets	0	4
Payments for investments	0	- 154
Purchase of financial assets that are no cash equivalents	- 4,065	- 18,300
Sales of financial assets that are no cash equivalents	14,499	5,383
Cash flows from investing activities	10,080	- 27,876

1: ESOP = Employee stock option programme for employees and Management Board

STATEMENT OF CASH FLOWS

for the period from 1 January to 30 September 2009 (unaudited)

in €000	9M 2009	9M 2008
Cash flows from financing activities		
Payments to subscribed capital	0	9,501
Payments to agio	0	19,858
Repayment of long-term loans	- 902	0
Cash flows from financing activities	- 902	29,359
Net change in cash and cash equivalents	- 798	- 4,419
+ Cash and cash equivalents at the beginning of the period	7,346	10,335
= Cash and cash equivalents at the end of the period	6,548	5,916

The statement of cash flows was prepared in accordance with the provisions of IAS 7.

STATEMENT OF CHANGES IN EQUITY

for the period from 1 January to 30 September 2009 (unaudited)

in €000	Sub-scri- bed capi- tal	Agio	Reserves			Accumu- lated deficit	Total
			Reserves ESOP	Retained earnings	Reva- luation reserve		
Balance on 2008-01-01	19,002	28,395	583	67	- 20	- 28,411	19,616
Issued options (ESOP 2001/2003)			2				2
Issued options (ESOP 2004/2004)			5				5
Issued options (ESOP 2004/2005)			10				10
Issued options (ESOP 2004/2006/1)			4				4
Issued options (ESOP 2006/2006/2)			107				107
Issued options (ERSATZ-ESOP 2001/2006/3)			85				85
Issued options (ESOP 2006/2007)			3				3
Capital increase of 14 July 2008	9,501	19,858					29,359
Issued options (ESOP 2006 / 2008)			2				2
Comprehensive income / loss 2008-01-01 – 2008-09-30					- 22	- 7,829	- 7,851
<i>Measurement of financial instruments</i>					- 22		- 22
<i>Period result 2008-01-01 – 2008-09-30</i>						- 7,829	- 7,829
Balance on 2008-09-30	28,503	48,253	801	67	- 42	- 36,240	41,342
Balance on 2009-01-01	28,503	48,101	755	67	- 3	- 40,265	37,158
Issued options (ESOP 2004/2004)			2				2
Issued options (ESOP 2004/2005)			4				4
Issued options (ESOP 2004/2006/1)			3				3
Issued options (ESOP 2006/2006/2)			37				37
Issued options (ESOP 2006/2007)			4				4
Issued options (ESOP 2006/2008)			16				16
Comprehensive income / loss 2009-01-01 – 2009-09-30					3	- 11,624	- 11,621
<i>Measurement of financial instruments</i>					3		3
<i>Period result 2009-01-01 – 2009-09-30</i>						- 11,624	- 11,624
Balance on 2009-09-30	28,503	48,101	821	67	0	- 51,889	25,603

NOTES

to the interim report dated 30 September 2009

1. Summary of significant accounting and valuation 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. All of the IFRS and IFRIC adopted by the European Commission have been taken into account, not adopted IFRS and IFRIC have not been taken into account. New standards issued by the IASB are applied without exception starting in the financial year in which their application becomes mandatory.

This interim report represents the individual Financial Statements of the Germany-based 4SC AG, and in addition to 4SC AG, also takes account of the associated company, quattro research GmbH, Planegg-Martinsried, as well as the investments in the Nexigen GmbH, Bonn, and Quiescence Technologies LLC. (formerly QuoNova LLC.), Melbourne, Florida, USA, recognised in accordance with IAS 39.

The interim report was approved for publication by the Management Board on 30 October 2009. The discussion of the interim report by the Supervisory Board or Audit Committee and the Management Board in line with German Corporate Governance Code (6 June 2008 amended version) was held via teleconference on 27 October 2009.

1.2 Significant accounting and valuation policies

The applied accounting and valuation policies correspond to those used for the Financial Statements for the year ending 31 December 2008.

1.3 Use of estimates

In producing this interim report it was necessary for Management to make estimates and assumptions impacting the disclosed value of assets and liabilities, the disclosure of uncertain assets and contingent liabilities as of the balance sheet date as well as expenses and income within the reporting period. Actual values may vary from such estimated values. The discretionary decisions taken correspond to the Financial Statements for the year up to 31 December 2008.

1.4 Seasonality of interim operation

The operating activity of 4SC AG does not vary with the season.

1.5 Segment report

IFRS 8 requires companies to provide financial data and descriptive information for business segments subject to mandatory reporting. Business areas of a company involved in business operations able to generate income and expenses, for which separate financial data is available, constitute segments subject to mandatory reporting. In addition, operating results are regularly reviewed by key decision-makers to determine how resources are to be distributed and profitability assessed. In general, financial information must be reported on the basis of internal controlling. 4SC AG does not at this time provide segment reporting, as there is no clearly distinct financial information for separate business areas, i.e. there are no segments subject to mandatory reporting.

2. Earnings per share

The basic earnings per share are calculated in accordance with IAS 33.9 et seq. by dividing the period result attributable to the shareholders (numerator) by the average weighted number of shares in circulation in the reporting period (denominator).

This is based on a third quarter period result amounting to €-4,339 thousand and shares in issue of 28,502,739 (previous year: result of €-3,370 thousand at average shares in issue of 27,130,385). In the first nine month of 2009 the period result was at €-11,624 thousand (prior period: €-7,829 thousand) with shares in issue of 28,502,739 (previous year: average shares in issue of 21,711,346).

Because the options issued are not diluted by 4SC AG's loss situation, and because the share price has currently dropped below the exercise price of the options, i.e. the options are currently "out of money", the diluted conforms to the undiluted earnings per share.

in €	Q3 2009	Q3 2008	9M 2009	9M 2008
Earnings per share (basic and diluted)	- 0.15	- 0.12	- 0.41	- 0.36

3. Notes to the statement of cash flows

In addition to cash and cash equivalents, 4SC AG has liquid funds that are predominantly invested for better return in fixed deposits and money market funds and on 30 September 2008 and 31 December 2008 also in fixed interest-bearing securities. The reconciliation between the statement of cash flows and the total cash balance is shown in the following table:

in €000	2009-09-30	2008-12-31	2008-09-30
Cash and cash equivalents an the end of the period	6,548	7,346	5,916
Other financial assets (non-current)	0	0	479
Other financial assets (current)	4,065	14,500	19,268
Cash balance / funds	10,613	21,846	25,663

4. Share property and directors' dealings

The table below shows the shares and stock options which were held by the management board and the Supervisory Board as of 30 September 2009 well as the changes of ownership of the same, compared to the beginning of the year.

The share ownership of the Management Board members was composed as follows on the balance sheet date:

Share quantity in units	Shares 2009-01-01	Addition	Sales	Shares 2009-09-30
Dr Ulrich Dauer	410,639	0	0	410,639
Dr Daniel Vitt	396,803	0	0	396,803
Dipl.-Kfm. Enno Spillner	70,000	0	0	70,000
Share property	877,442	0	0	877,442

Options quantity in units	Options 2009-01-01	Additions	Forfeitures	Exercised	Options 2009-09-30	Max. numb. of subscr. shares
Dr Ulrich Dauer	40,600	0	0	0	40,600	35,800
Dr Daniel Vitt	40,600	0	0	0	40,600	35,800
Dr Bernd Hentsch	36,220	0	0	0	36,220	36,220
Dipl.-Kfm. Enno Spillner	138,000	0	0	0	138,000	124,800
Options property	255,420	0	0	0	255,420	232,620

The share ownership of the Supervisory Board members was composed as follows on the balance sheet date:

Share quantity in units	Shares 2009-01-01	Addition	Sales	Shares 2009-09-30
Dr Jörg Neermann	97,500	0	0	97,500
Dr Manfred Rüdiger	15,000	0	0	15,000
Dr Clemens Doppler	7,500	2,375	0	9,875
Share property	120,000	2,375	0	122,375

There were no transactions with shares or options of 4SC AG by the Management Board members during the third quarter 2009 to be reported as per § 15a of the WpHG (German Security Trading Act).

5. Related party disclosure

In the reporting period there were no material changes in business transactions with related parties compared to the last reports in the context of the annual report dated 31 December 2008 and in the context of the interim report dated 30 June 2009.

6. Events after the end of the reporting period

On 23 October, 2009, 4SC announced that the Management Board, with the approval of the Supervisory Board, decided to increase the Company's share capital from €28,502,739.00 up to €39,903,834.00 through the issue of up to 11,401,095 common ordinary bearer shares at zero par value from the authorised capital. The new shares will be offered at a subscription price of €3.00 per new share to the shareholders. The Company intends to raise in the range of €25 to 30 million. The rights-issue was published in the electronic Federal Register (Bundesanzeiger) on the 27 October, 2009.

FINANCIAL CALENDAR 2009



2009-03-27	Annual Report 2008 ✓
2009-05-15	Three Months' Report 2009 (Q1/2009) ✓
2009-06-15	Annual General Shareholders' Meeting 2009 ✓
2009-08-07	Six Months' Report 2009 ✓
2009-11-06	Nine Months' Report 2009 (Q3/2009) ✓
2009-11-09 - 2009-11-11	Analyst Meeting: Deutsches Eigenkapitalforum, Congress Center Messe Frankfurt

Editor	4SC AG _ Am Klopferspitz 19a _ 82152 Planegg-Martinsried _ Germany
Investor Relations	Yvonne Alexander _ Email: Yvonne.Alexander@4SC.com
Design	Angela Borsche _ Werbeagentur Ursula Borsche GmbH