

# Press Release: 4SC forms subsidiary to commercialise innovative early-stage drug research

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## *Press Release*

### **4SC forms subsidiary to commercialise innovative early-stage drug research programmes and strengthen revenue from research collaborations**

- *Transfer of early-stage research activities to 100% subsidiary 4SC Discovery GmbH*
- *Goal: strengthen business by generating additional revenue from early-stage research*
- *Extraordinary yield in annual result for 2012 (in accordance with German commercial law) expected due to the release of undisclosed hidden reserves*

**Planegg-Martinsried, Germany, 14 December 2011** - The Managing Board and Supervisory Board of 4SC AG (Frankfurt, Prime Standard: VSC), a biotech company focusing on the discovery and development of targeted small molecule drugs for autoimmune diseases and cancer, today decided and announced that 4SC will transfer almost the entire early-stage research activities of the company to a 100% subsidiary, which will operate under the name of 4SC Discovery GmbH.

With pharmaceutical companies increasingly outsourcing their research to specialized biotech firms due to intensified cost pressure and competitive constraints, it is the strategic goal of 4SC's new subsidiary to benefit from this trend and to generate additional revenue from its early-stage drug research activities. The new subsidiary will focus on collaborations with pharmaceutical companies in the fields of drug discovery and drug optimization as well as on the commercialisation of 4SC's proprietary drug programmes in early-stage research phases. This is meant to strengthen the sustainability of 4SC's business model, to reduce the company's dependence on financing over the capital markets and to make the value of 4SC's early-stage research programmes more transparent to the markets. Moreover the bundling of the company's research activities in the 4SC Discovery GmbH allows for a more independent positioning of the subsidiary on the market together with a higher flexibility to engage into research collaborations with pharmaceutical partners.

In a capital increase by way of contribution in kind, both tangible and intangible assets belonging to the research activities of 4SC AG will be transferred to 4SC Discovery GmbH which has yet to be formed and will start operations in the beginning of 2012. Assets include all those pre-clinical projects and products, for which no early development candidate (EDC) has been defined yet and all intellectual property (IP) rights related to these programmes as well as 4SC's proprietary technology platforms for modeling, screening and drug discovery.

28 employees are expected to be transferred from 4SC AG to the subsidiary. In the individual financial statement of 4SC AG for 2012, set up in accordance with German commercial law (HGB), an extraordinary yield in the upper single-digit million euro range is expected to occur in the annual result due to the release of undisclosed hidden reserves in connection with the valuation of the assets transferred to the subsidiary; the exact amount of this extraordinary yield has yet to be determined. In 4SC AG's individual balance sheet (HGB), the accumulated deficit will be lowered and the financial assets strengthened accordingly.

4SC AG, which will become the group parent company of 4SC Discovery GmbH, will keep its strategic and operational scope of focusing on the clinical development and commercialisation of advanced-stage drugs in the therapeutic areas of cancer and autoimmune diseases.

In detail, 4SC Discovery GmbH will act as a service provider for pharmaceutical and biopharmaceutical companies. In research collaborations with these clients, 4SC Discovery GmbH will offer its know-how, its capacities, as well as its technology platform in the fields of drug discovery and drug optimization. Furthermore, the subsidiary will aim at generating additional revenue through the commercialisation of 4SC's proprietary products in early-stage research and pre-clinical development phases, for example through co-development and commercialisation partnerships. Thus, the development of 4SC's early-stage drug programmes can be accelerated and the development risk lowered, at the same time allowing the company to benefit from the programmes' value enhancement during further development, for example through licensing income or received milestone payments. The new subsidiary will finally continue to engage in the discovery and research of novel drug candidates for the further enhancement of 4SC AG's own clinical development pipeline.

Dr. Ulrich Dauer, Chief Executive Officer of 4SC AG said: 'We want to benefit from the opportunities which arise from pharmaceutical companies increasingly outsourcing their research to specialized biotech firms. Therefore, we will bundle 4SC's long-standing broad expertise in drug discovery and early-stage pharmaceutical research in a strong and efficient subsidiary in order to capitalize on this environment and generate additional revenue. Thus, we will widen our financial scope of action and reduce the company's dependence on the capital markets. After our recent decision to focus our clinical development activities in the next months on our most advanced compounds resminostat and vidofludimus as well as our anti-cancer compound 4SC-202, this is another important measure to continue 4SC's focused and value-oriented development pathway while securing a maximum reach of our financial resources at the same time.'

*Ends*

### **About 4SC**

4SC (ISIN DE0005753818) discovers and develops targeted small-molecule drugs for the treatment of diseases with a high unmet medical need in various autoimmune and cancer indications. These drugs are intended to provide patients with innovative treatment options that are more tolerable and efficacious than existing therapies, and provide a better quality of life. The company's balanced pipeline comprises promising products that are in various stages of clinical development. 4SC's aim is to generate future growth and enhance its enterprise value by entering into partnerships with leading pharmaceutical companies. Founded in 1997, 4SC currently has altogether 94 employees and has been listed on the Prime Standard of the

Frankfurt Stock Exchange since December 2005.

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