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Annual 2010 financial results

2010: Significant Progress

Veterinary Medicine: strong growth of activity in 2010 and first sales to the US in 2011

Human Medicine: continuation of R&D programs for 5 phase III and 9 phase II clinical trials

R&D costs under control

AB Science SA (NYSE Euronext - FR0010557264- AB), a pharmaceutical company specialised in research, development and marketing of protein kinase inhibitors (PKI), reports today its annual financials as at 31 December 2010 and provides an update on its activity. The Board who met on March 21st, 2011, reviewed the consolidated financials for the year 2010. Audit procedures on consolidated financials were performed. The audited financial report is available on the Company's website.

Commenting on this announcement, Alain Moussy, Chaiman and CEO of AB Science declared: ***"2010 was a very positive year with significant progress for AB Science. Funds raised during our IPO allow us to continue the phase 3 clinical development program in phase 3 of masitinib in human medicine. At the end of 2010, 5 phase 3 studies had been initiated, 4 are under preparation and major new phase 2 studies had been initiated, endowing AB Science with a robust pipeline. Moreover, in veterinary medicine, the turnover in Europe is growing and the commercial launch of masitinib in the United States confirms the potential of our lead compound. In 2011, we will continue our clinical development program in line with our objectives"*.**

I. Key events of year 2010:

- Since the beginning of the year, the Company continues the development of its on-going clinical trials in human and veterinary medicines, in cancers, in inflammatory diseases and central nervous system diseases, notably with 5 on-going phase 3 clinical trials – 3 in oncology (pancreatic cancer, GIST, metastatic melanoma) and 2 in inflammatory pathologies (mastocytosis and persistent severe asthma).

- The group's turnover, which is today entirely linked to its activity in veterinary medicine, grows at a good pace and amounts to €917,000, compared with €316,000 at 31 December 2009 in a peculiar competitive environment, our direct competitor providing veterinarians free supplies of its drug .

- Moreover, AB Science received last December from the FDA the authorization to sell masitinib in the United States in the treatment of canine mast cell tumour. AB Science registered its first sales in the 1st quarter of 2011.

- Oséo, through its support program to Strategic Industrial Innovation, will bring support for a total amount of €6.2m to AB Science, €1.8m as subvention and €4.4m as reimbursable advances within the APAS-IPK project for the development of a new generation of anti-cancer drugs.

II. Recent events since the closing of the financial year

In human medicine

- **AB Science announced the launch of 2 new phase 3 clinical trials** with masitinib, followed by the recruitment of the first patients:
  - in the treatment of metastatic melanoma expressing c-Kit JM mutation,
  - in the treatment of persistent severe asthma.

  Masitinib is currently evaluated in five phase 3 studies, 3 in oncology (pancreatic cancer, gastro-intestinal stromal tumor a.k.a. GIST and metastatic melanoma bearing JM mutation of c-Kit) **and 2 in inflammatory pathologies** (mastocytosis, an orphan disease, and persistent severe asthma).

  Of interest, the juxta-membrane mutation of c-Kit is expressed in canine mast cell tumours, where masitinib is already registered, and in GIST in humans, where masitinib is also in phase 3 study as first-line treatment and in phase 2 study as second-line treatment in resistance to imatinib. In these cancers, masitinib is used as a single agent without combination with chemotherapy and these indications are the basis of the development program for masitinib and present the highest changes of success due an action mechanism which is well understood.

- **AB Science announced the launch of 3 new phase 2 studies with masitinib in oncology:**
  - in the treatment of metastatic melanomas (not expressing the JM mutation of c-Kit);
  - in the treatment of stomach cancer;
  - in the treatment of peripheral T-cell lymphoma.

  Masitinib is presently evaluated in 9 phase 2 studies in oncology:
  - 1 phase 2 studies evaluating masitinib as a single agent versus sunitinib in the treatment of GIST in second-line, after the failure from imatinib;
  - 7 phase 2 studies evaluating masitinib combined with standard chemotherapies in the treatment of metastatic solid tumours (non-small-cell lung, prostate, colorectal, breast, breast triple-negative, melanoma and stomach);
  - 1 phase 2 study in a blood cancer, the peripheral T-cell lymphoma, initiated in humans thanks to very promising results obtained with mastinib in the treatment of dogs with the same disease.

- AB Science also announced the presentation at ASCO of the 4-year follow-up data from a phase 2 clinical of masitinib in the first-line treatment of GIST. These data are encouraging for masinitib in the fist-line treatment of GIST, in particular with the median progression free

survival of 41 months. If this trend were confirmed in the phase 3,200 patients could be enough to demonstrate superiority of masitinib over imatinib.

In veterinary medicine

- **AB Science received from the FDA (Food and Drug Administration) the authorisation to commercialise mastinib in the United States for the treatment of canine mast cell tumour.** Effective commercialisation of masitinib in the United States started early February 2011.

- AB Science published results of several clinical trials in key reviews:
  - in the *American Journal of Veterinary Research*, phase 3 results showing that **masitinib increases long-term survival in the treatment of canine mast cell tumour**, which is *the* objective in oncology and which should contribute to position masitinib as the reference in this pathology.
  - in *The Veterinary Journal*, pre-clinical study results demonstrating that **masitinib has the potential to act as a potentiator of chemotherapies**. This study brought further evidence that anticancer action of masitinib extends beyond inhibition of its main tyrosine kinase targets, by acting in synergy with standard chemotherapies. This reinforces the strategy of evaluating masitinib in combination in the treatment of different human cancers.

Other events

- **AB Science received a €1.7m credit line with the aim to finance projects supporting the growth of the Company.** Given the fact that the marginal cost per patient is €10,000 in phase 3 studies evaluating masitinib, this non-dilutive funding is significant for the Company as the amount received approximately accounts for the cost of the phase 3 study in metastatic melanoma bearing the JM mutation of c-Kit (200 patients).

III. 2010 and 2009 consolidated financial statements

(in thousands of euros)	Dec 31st, 2010	Dec 31st, 2009
Revenues from Sales	917	316
Other operating revenues	263	0
Total operating income	1,180	316

Operating revenues as at 31 December 2010 amounted to €1,180 thousand, compared to €316 thousand in the previous year, and include:

- the Company's revenues from sales in 2010 for €917 thousand. *It should be noted that in order to have at its disposal an established customer base as soon as the molecule is registered in the United States, the group has decided to provide for free – excluding freight and handling charges – importation requests from US veterinarians for an amount equivalent to €1,111 thousand in revenue for 2010, compared to €218 thousand in the second half of 2009, i.e. an increase of 409.6%.*
- as well as a €260 thousand indemnity received for a dispute settlement.

(in thousands of euros)	Dec 31st, 2010	Dec 31st, 2009
Cost of goods sold	377	150
Marketing costs	1,146	988
Administrative costs	1,252	1,643
R&D costs	7,994	5,833
Other operating costs	0	0
Total des charges d'exploitation	**10,769**	**8,614**

Operating charges amounted as at 31 December 2010 to €10,769 thousand, as compared with €8,614 thousand one year earlier, which is an increase of 25%.

The Company's marketing expenses amounted to €1,146 thousand as at 31 December 2010, of which €685 thousand related to the veterinary franchise in Europe, the remainder corresponding to the set-up of the structure in anticipation of the marketing of masitinib in veterinary medicine in the United States.

These expenses increased by €158 thousand as compared to 31 December 2009 (+16%). This change was mainly the consequence of the recruitment of sales representatives in Germany and in the United Kingdom, representing €151 thousand in additional costs.

Administrative expenses decreased by 23.8%, down from €1,643 thousand as at 31 December 2009 to €1,252 thousand as at 31 December 2010. This decrease (-€391 thousand) is explained in particular by accounting, tax and legal consulting fees.

Research and development expenses increased by 37%, up from €5,833 thousand as at 31 December 2009 to €7,994 thousand as at 31 December 2010. This increase is explained mainly by the following factors:

- **the increase of other research and development expenses (+ €1,848 thousand) due to the development of clinical studies, including the launch of new studies and the start of phase 3 studies in particular**;
- and the decrease in the research tax credit by €314 thousand, from €3,176 thousand in 2009 to €2,862 thousand in 2010. This decrease flows from the exclusion from the base for the tax credit of received subsidies and conditional advance over the period for € 2,367 thousand, which represents an impact of €710 thousand on research tax credit. Conditional advances will be added back to the calculation base for the research tax credit on the same year they are paid back.
  This decrease related to the exclusion of conditional advances and subsidies is partly offset by the expenses eligible for the research tax credit, which increase from €10,586 thousand as 31 December 2010 to €11,908 as 31 December 2010.

The operating loss as at 31 December 2010 amounted to €9,589 thousand, compared to a € 8,297 thousand as at 31 December 2009, which is an increase of operating loss by €1,292 thousand (15.6%) for the reasons provided above.

The financial income as at 31 December 2010 was €102 thousand, as compared to a €193 income a year earlier. The decrease was primarily due to a decrease in revenues from investment securities. (– €70 thousand).

The total net loss on 31 December 2010 amounts to €9,489 thousand, compared to €8,110 thousand on 31 December 2009, increasing by 17% for the reasons provided above.

IV. Consolidated balance sheet information

Assets

Given the expected sales perspectives, development costs were accounted as expenses. Fixed assets correspond essentially to the cost of registration of the Company's patents. Registration costs of the Company's patents booked as net fixed assets increased by around 22.8% as at 31 December 2010, from €759 thousand as at 31 December 2009 to €932 thousand as at 31 December 2010.

Inventories amount to €832 thousand as at 30 December 2010 as compared to €985 as at 31 December 2009. They are related to the inventory of raw materials and principal ingredient (€401 thousand), to the inventory of work-in-progress products (€350 thousand) and to the inventory of finished products (€74 thousand).

Trade receivable remained stable on 31 December 2010 (€107 thousand) despite the increase in revenues.

Current financial assets were increased by 390.7% between the 31 December 2009 and the 31 December 2010, from €3,506 thousand to €17,203 thousand. These financial assets correspond mainly to cash instruments the term of which is beyond 3 months. This increase comes from the investment of cash inflow after the IPO of the Company in April 2010.

Other current assets of the Company amount to €7,384 thousand as at 31 December 2010 compared to €6,746 thousand as at 31 December 2009, i.e. a 9.5% increase over the period. This increase is explained by the decrease in tax credit receivable (€354 thousand) compensated in part by the increase in conditional advances receivable (€180 thousand) and subsidies receivable (€475 thousand).

Cash increased by 50.1% between the 31 December 2009 and the 31 December 2010, from €1,785 thousand to €2,679 thousand because of the investment of cash inflow received after the IPO of the Company in April 2010.

Liabilities

Funding used by the Company comes mainly from capital increase and various public aids (research tax credits, reimbursable advances and subsidies).

The table hereafter shows the change in the Company's equity between the 31 December 2009 and the 31 December 2010.

(in thousands of euros)	Company Equity
Equity as at 31 December 2009	1,041
Capital increase and additional paid-in capital net of issue costs	23,036
Total loss over the period	(9,481)
Payments in shares	281
Own shares	(93)
Equity as at 31 December 2010	**14,783**

As at 31 December 2010, the Company's net equity stood at €14,783 thousand.

As a reminder:

- AB Science successfully completed its IPO on the B compartment of NYSE Euronext last April. The net proceeds were around €31.6m, which break down into a capital increase for around €16.5m and cession of existing shares for around €15.1m.

- Six bonds were converted on April, 23rd, after the IPO into 237,154 ordinary shares of €0.01 par nominal value each, resulting in a €2,371.54 capital increase.

- 381 BSCPE (stock warrants) and 408 BSA (stock warrants) were exercised in November and December 2010 resulting in a €7,890 capital increase corresponding to the issue of 789,000 shares of €0.01 par nominal value.

Over the last two years, the main flows, except for the annual losses, were capital increases in 2010 and 2009 for €23,036 thousand and €111 thousand, respectively.

Current liabilities amount to €7,869 thousand as at to 31 December 2010 as compared to € 7,965 thousand as at 31 December, i.e a 1.2% decrease mainly related to the reduction in trade payable. This stability is explained by the following factors:

- decrease in trade payable (€830 thousand);
- increase in other current liabilities (€200 thousand) due mainly to the payment in 2010 to 2009 social security contributions, the payment of which had been deferred thanks to the Company's "growth SME" status, a variation which was offset by the booking of deferred income related to the subsidy receivable from Oséo;
- increase of operating expenses (€480 thousand) following the booking of accrual provision after the proposed repayment of back taxes notified to the Company and related to income tax credit for the years 2007, 2008 and 2009.

Non-current liabilities include mainly bank debt for €1,000 thousand and conditional advances. They amount to €6,745 thousand as at 31 December 2010, compared to €5,080 thousand as at 31 December 2009, i.e. an increase by €1,665 thousand related notably to the notification of a €1,921 thousand conditional advance to be received from Oséo.

Next financial appointments in 2011

Financial communication on 1st quarter 2011: April, 15th 2011
General Shareholders' Meeting: May, 23rd 2011

Find our complete 2010 financial report on www.ab-science.com

About AB Science

Founded in 2001, AB Science is a pharmaceutical company specializing in the research, development and commercialization of protein kinase inhibitors (PKIs), a new class of targeted molecules whose action is to modify signalling pathways within cells. Through these PKIs, the Company targets diseases with high unmet medical needs (cancer, inflammatory diseases and central nervous system diseases), in both human and veterinary medicines. Thanks to its extensive research and development capabilities, AB Science has its own portfolio of molecules. Masitinib, a lead compound, has already been registered in veterinary medicine in Europe and is pursuing three on-going phases 3 in human medicine.

Further information is available on AB Science's website: www.ab-science.com

Disclaimer

This press release does not constitute an offer to sell or a solicitation of an offer to buy AB Science shares. If you wish to obtain more comprehensive information about AB Science, please refer to documents available on our website www.ab-science.com. This release may contain certain forward-looking statements. Although the Company believes that these statements are based upon reasonable assumptions at the date of publication of this document, they are inherently subject to risks and uncertainties which could cause actual results to differ from the present figures and those expressed or implied in these statements.

AB Science – Financial Communication & Media Relations

Citigate Dewe Rogerson

Contacts Citigate Dewe Rogerson:
Agnès Villeret - Tel: +33 1 53 32 78 95 - agnes.villeret@citigate.fr
Lucie Larguier – Tel: +33 1 53 32 84 75 – lucie.larguier@citigate.fr

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2010

Assets (in thousands of euros)	Dec 31st, 2010	Dec 31st, 2009
Intangible assets	864	785
Tangible assets	192	151
Non-current financial assets	119	21
Other non-current assets	0	0
Deferred tax assets	0	0
Non-current assets	1,175	957
Inventories	829	985
Trade receivables	133	107
Current financial assets	16,938	3,506
Other current assets	6,806	6,746
Cash and cash equivalents	4,760	1,785
Current assets	29,466	13,129
TOTAL ASSETS	**30,641**	**14,086**

Liabilities (in thousands of euros)	December 31, 2010	December 31, 2009
Share capital	311	286
Additional paid-in capital	66,512	43,502
Translation reserve	16	9
Other reserves and results	(52,057)	(42,756)
Total equity attribuable to equity holders of the Compagny	14,783	1,041
Non controlling interests		
Total equity	14,783	1,041
Non-current provisions	243	258
Non-current financial liabilities	6,502	4,822
Other non-current liabilities	0	0
Deferred tax liabilities	0	0
Non-current liabilities	6,745	5,080
Current provisions	610	130
Trade payables	4,655	5,485
Current financial liabilities	560	506
Tax liabilities / Tax payable	0	0
Other current liabilities	2,044	1,844
Current liabilities	7,869	7,965
TOTAL EQUITY AND LIABILITIES	**29,398**	**14,086**

STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2010

(in thousands of euros)	Dec 31st 2010	Dec 31st, 2009
Revenue	**917**	**316**
Other operating revenues	263	-
Total revenues	**1 180**	**316**
Cost of sales	(377)	(150)
Marketing expenses	(1,146)	(988)
Administrative expenses	(1,252)	(1,643)
Research and development expenses	(7,994)	(5,833)
Other operating expenses	0	-
Operating income (loss)	**(9,589)**	**(8,297)**
Financial income	180	321
Financial expenses	(77)	(128)
Financial income (loss)	**102**	**193**
Income tax expense	(2)	(6)
Net income (loss)	**(9,489)**	**(8,110)**
including:		
Attributable to non-controlling interests	-	-
Attributable to equity holders of the parent	(9,489)	(8,110)
Translation differences	8	0
Total Comprehensive income for the period	**(9,481)**	**(8,110)**
including:		
Attributable to non-controlling interests	-	-
Attributable to equity holders of the parent	(9,481)	(8,110)
Basic earnings per share - in euros	(0.32)	(0.28)
Diluted earnings per share - in euros	(0.32)	(0.28)

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Dec 31st, 2010	Dec 31st, 2009
Net income (loss)	(9,489)	(8,110)
Adjustment for:		
- Depreciation, amortisation and charges to provisions	717	365
- Income (loss) from asset sale	0	0
- Non-cash income and expenses linked to share-based payments	281	260
- Other non cash income and expenses	(14)	(12)
- Income tax expense	0	6
- Change in deferred tax	0	0
- Income from interest on financial assets	807	(60)
Impact of change in working capital requirement generated by operating activities	(163)	(215)
Cash flow from operations before tax and interest	**(7,863)**	**(7,766)**
Income Tax (paid)/received		0
Net cash flow from operating activities	**(7,863)**	**(7,766)**
Acquisitions of fixed assets	(480)	(359)
Sales of tangible and intangible assets	0	12
Acquisitions of financial assets	(17 071)	(3,500)
Proceeds from the sale of financial assets	3,500	8,987
Changes in loans and advances	0	(18)
Interest (paid)/received	14	276
Other cash flow related to investing activities		
Net cash flow from investing activities	**(14,037)**	**5,398**
Dividends paid		
Capital increase(decrease)	23,036	111
Issuance of loans and receipt of conditional advances		1,000
Repayments of loans and conditional advances	(150)	(150)
Other cash flows from financing activities	(100)	1
Net cash flow from financing activities	**22,786**	**962**
Effect of exchange rate fluctuations	8	0
Effect of assets held for sale	0	
Impact of changes in accounting principles	0	
Net increase (decrease) in cash and cash equivalents	**894**	**1,406**
Cash and cash equivalents – opening balance	1,785	3,191
Cash and cash equivalents – closing balance	2,679	1,785
Net increase / decrease in cash and cash equivalents	**894**	**1 406**