Paris, 8 August 2011 – 5:45 pm

First half 2011 financial results

Recruitment of first patients in phase 2B/3 study in the treatment of rheumatoid arthritis

Issuance of €7.5m convertible bonds, convertible at the price of €12.65 per share

26.7% growth in revenues versus 1st half of 2010 at €536k

AB Science SA (NYSE Euronext - FR0010557264- AB), a pharmaceutical company specialised in research, development and commercialisation of protein kinase inhibitors (PKIs), reports today its six months ended June 30, 2011 and provides an update on its activities.

Commenting on this release, Alain Moussy, CEO of AB Science declares: "M*asitinib is now being developed in 6 phase 3 studies, three are in oncology (pancreatic cancer, gastro-intestinal stromal tumour – GIST –, and metastatic melanoma expressing the juxta-membrane mutation of c-Kit), three in inflammatory diseases (mastocytosis, severe persistent asthma and rheumatoid arthritis). The issuance of bonds for a total amount of 7.5M Euros provides a level of cash that allows us to pursue our clinical development program according to plan. In animal medicine, sales of masitinib continue their progression. In the United States, we concentrated during this first half on building up our logistics platform which is now operational. The launch phase of masitinib with specialists is a success and our goal is now to continue sales growth with generalist veterinarians through the build-up of a network of distributors".*

I. Key events of the first six months of 2011

<u>In human medicine</u>

- AB Science announced the launch of two phase 3 studies with masitinib and the recruitment of first patients in:
    - the treatment of metastatic melanoma expressing the juxta-membrane mutation of c-Kit and
    - the treatment of severe persistent asthma.

<u>In veterinary medicine</u>

- AB Science received from the FDA (Food and Drug Administration) authorisation to market masitinib in the United States for the treatment of canine mast cell tumour. Actual commercialisation started in the United States in the first half of 2011. In the second quarter, AB Science continues to build up its logistics platform and its network of distributors so as to support growth in sales.

- AB Science published in the *American Journal of Veterinary Research*, phase 3 study results showing that masitinib increases 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 treatment in this pathology.

- AB Science announced acceptance by the reference journal in dermatology, *Veterinary Dermatology*, to publish findings from its phase 3 clinical trial of masitinib in the treatment of canine atopic dermatitis, in an article entitled "Masitinib decreases signs of canine atopic dermatitis: a multicentre, randomized, double-blind, placebo-controlled phase 3 trial".

  This publication is a stamp of approval from the scientific community on the efficacy and safety of masitinib in this inflammatory pathology. This marks an important first step, validating the possibility of using masitinib outside oncology.

- The launch phase of masitinib with specialists is a success as the product is adopted by key opinion leaders and is perceived as an efficient and well-tolerated treatment in mast cell tumours with a benefit / risk ratio superior to its competitor, Palladia from Pfizer. The product being efficient, well tolerated and in the form of easy-to-use pills, sales analysis shows that a growing share of orders comes from veterinary general practitioners. As AB Science does not have the sufficient sales force to tap into this growth potential, there is a case to develop a new distribution network to assure the promotion of the drug with generalist veterinarians. AB Science is working on building up a network of partners in the main countries.

<u>Other events</u>

- AB Science has obtained a 1.7 m€ credit line running until February 2016, received from Neuflize OBC (ABN Amro group) for €1.2m and BNP Paribas for €0.5m, repayable over 5 years starting from the date of contract signature, with a 2-year differed payment period. It is cross-guaranteed by Oseo at 60%. To this date, €0.5m€ was drawn down.

  This credit line is aimed at financing projects supporting the growth of the company. Given the fact that the marginal cost per patient is €10 thousand in the 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 juxta-membrane mutation of c-Kit phase (200 patients).

- Following the exercise of founder stock warrants (known as BSCPEs) and of stock options, 265,559 new shares with €0.01 nominal value were issued during the first half of 2011, resulting in a €2,655.99 capital increase.

- **The company revenues, fully related today to its activity in veterinary medicine, grows by 26.7%** and amounts to 536k€, vs. 423k€ as at 30 June 2010. Revenues come mainly from Europe because of the time needed to build up the logistics platform and the network of distributors in the United States. Besides, the first half of 2011 is not fully comparable to the first half of 2010. Indeed, in the first half of 2010, masitinib was the single drug marketed in its indication in Europe. This is no longer the case in the first half 2011, as a drug competing with masitinib is being marketed by Pfizer (Toceranib).

II. Recent events since 30 June 2011

- AB Science announced the launch of a new phase 3 study with mastinib, then the recruitment of first patients in the treatment of rheumatoid arthritis.

- Masitinib is now being tested in more than nine phase 2 studies and six phase 3 studies. Among the six phase 3 studies, three are in oncology (pancreatic cancer, gastro-intestinal stromal tumour a.k.a. GIST, and metastatic melanoma expressing the juxta-membrane mutation of c-Kit), and three in inflammatory diseases (mastocytosis, severe persistent asthma and rheumatoid arthritis).

- A bond loan agreement, convertible or reimbursable in ordinary shares, for a nominal amount of € 7,539,400 which was approved on 23 May 2011 by the general assembly, has been fully subscribed and issued on 19 August 2011. The Bonds bear 1.25% interest to be paid annually. They will also bear 4.75% accrued interest to be paid only in case of reimbursement of the loan in cash. The Bonds may be reimbursed by anticipation in cash at the option of AB Science under certain conditions. They will be repayable in full on the seventh anniversary of the issue date at their nominal value.

  The Bonds are convertible in shares at any time at the initiative of the Bondholder at the price of €12.65 per share. The Bonds are automatically reimbursed in shares, if after December 31st 2013, the three-month moving average share price of the Company with a 1 euro cent nominal value is greater or equal to 18 euros, effective on the first business day following the last day of the reference three-month period.

III. Consolidated financial summary for the first half of 2011 and 2010

Revenues amount to €536 thousand in the first half of 2011, vs. €423 thousand as at 30 June 2010.

Operating expenses remain stable. They represent €5,523 thousand as at 30 June 2011 vs. €5,621 thousand a year earlier, i.e. a 1.7% decrease.

The Company's marketing expenses amount to €595 thousand as at 30 June 2011 vs. €552 thousand as at 30 June 2010, i.e. an increase by 7.8%. This change is mainly the consequence of the recruitment in February 2011 of a sales representative in the United States representing an additional cost of €30 thousand.

Administrative expenses increased by 93%, from 446 K€ as at 30 June 2010 to 861 K€ au 30 June 2011. This increase (+€415 thousand) is mainly explained by the reversal of a provision related to IPO costs (€303 thousand) on 30 June 2010.

Research and development expenses decreased by 9.2%, down from €4,295 thousand as at 30 June 2010 to €3,900 thousand as at 30 June 2011. This decrease (-€395 thousand) is explained mainly by the following factors:

- increase of other research and development expenses (+€190 thousand) due to the development of clinical studies, including the launch of new studies and Phase 3 studies in particular;
- increase in the research tax credit (+€585 thousand) from €803 thousand as at 30 June 2010 to €1,388 thousand as at 30 June 2011.

  As at 30 June 2010, the calculation base of the research tax credit was decreased by €2,367 thousand following the subtraction of received subsidies and conditional advance over the period vs. €490 thousand as at 30 June 2011, i.e. a €563 thousand impact on the research tax credit. Advances will be added back to the calculation base of the research tax credit on the year they are repaid.

Operating result

The operating loss as at 30 June 2011 stands at €4,987 thousand, compared to € 4,935 thousand as at 30 June 2010, i.e. a €52 thousand (1%) increase in operating loss.

Financial result

The financial profit as at 30 June 2011 amounts to €45 thousand compared to €32 thousand, one year earlier. This improvement is mainly due to the increase of financial revenues (+€66 thousand) related to the investment of cash received from the IPO in April 2010.

Net result

The net loss remains stable overall and stands as at 30 June 2011 at €4,942 thousand compared to €4,967 thousand as at 30 June 2010 (+0,5%) for the reasons explained above.

IV. Consolidated balance sheet information

Assets

Inventories amount to €740 thousand as at 30 June 2011, compared to €832 thousand as 31 December 2010. They are related to the inventory of raw materials and principal ingredients (€408 thousand), to the inventory of work-in-progress products (€63 thousand) and the inventory of finished products (€269 thousand).

Trade receivable increased from €107 thousand at the end of 2010 to €160 thousand on 30 June 2011. The increase of this item is related to the increase in sales.

Current financial assets decreased by 23.8% between 31 December 2010 and 30 June 2011, down from €17,203 thousand to €13,104 thousand. These financial assets correspond to cash instruments the maturity of which is longer than three months. This decrease mainly results from the reclassification as cash of certificates of deposits with maturity shorter than three months (€5m). As at 31 December 2010, the maturity of these certificates of deposit was higher than three months.

Other current assets went from €7,384 thousand as at 31 December 2010 to €5,483 thousand as at 30 June 2011, i.e. a 25.7% decrease over the period. This decrease is explained by the following main variations:

- Decrease of the research tax credit receivable (+€1,388 thousand as at 30 June 2011 vs. €2,862 thousand as at 31 December 2010, that is a €1,474 thousand decrease);
- Decrease in conditional advance receivable (-€300 thousand), advance received in May 2011;
- Decrease of subsidies receivable (-€190 thousand), subsidies received in Mars 2011.

Cash increased by 98.9% between 31 December 2010 and 30 June 2011, up from €2,679 thousand to €5,329 thousand, because of the reclassification of cash instruments with maturity shorter than three months (+€5,000 thousand).

Total cash and financial current assets amount to €18,433 thousand as at 30 June 2011 compared to €19,882 thousand as at 30 June 2010.

Liabilities

As at 30 June 2011, the Company's net equity stands at €10,581 thousand.

Current liabilities amount to €9,339 thousand as at 30 June 2011, compared to €7,869 thousand at the end of 2010, i.e. an 18.7% increase. This increase (€1,470 thousand) is explained mainly by the following factors:

- increase in current accruals (+€201 thousand), related to the adjustment of the accrual for tax;
- increase in trade payable (+€551 thousand);
- increase in current financial liabilities (+€1,051 thousand), related to the reclassification of the credit line from non-current to current financial liabilities for €1,000 thousand, their maturity being in February 2012;
- decrease of other current liabilities (-€333 thousand), related to the decrease in tax and personnel-related payable.

Non-current liabilities include mainly a €500 thousand bank debt and conditional advances. They amount to 6,179 K€ as at 30 June 2011, compared to 6,745 K€ as at 31 December 2010, that is a decrease by €566 thousand, which is explained by the following main factors:

- procurement of a bank loan for 500 K€,
- reclassification of financial liabilities from non-current to current (€1,000 thousand),
- reclassification of conditionals advances from non-current to current (€50 thousand).

Risk factors and uncertainties

The main risk and main uncertainties that the Company faces for the first six months and last six months of 2011 are the risks and uncertainties described in the chapter 5 of the annual financial report as at 31 December 2010.

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 important research and development capabilities, AB Science has developed its own portfolio of molecules including masitinib, which has already been registered in veterinary medicine in Europe and in the USA, and is pursuing nine phase 3 studies in human medicine, including six on-going studies in pancreatic cancer, GIST, metastatic melanoma expressing the juxta-membrane mutation of c-Kit, mastocytosis, severe persistent asthma and rheumatoid arthritis.

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

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SUMMARY FINANCIAL STATEMENTS AS AT 30 JUNE 2011

Assets ***(in thousands of euros)***	30/06/2011	31/12/2010
Intangible assets	1,057	1,009
Tangible assets	170	156
Non-current financial assets	56	27
Other non-current assets	0	0
Deferred tax assets	0	0
Non-current assets	1,284	1,193
Inventories	740	832
Trade receivable	160	107
Current financial assets	13,104	17,203
Other current assets	5,483	7,384
Cash and cash equivalents	5,329	2,679
Current assets	24,815	28,205
TOTAL ASSETS	**26,099**	**29,398**

Liabilities ***(in thousands of euros)***	30/06/2011	31/12/2010
Share capital	314	311
Additional paid-in capital	67,094	66,512
Translation reserve	93	16
Other reserves and results	(56,919)	(52,057)
Total equity attributable to equity holders of the Company	10,581	14,783
Non-controlling interests		
Total equity	10,581	14,783
Non-current provisions	265	243
Non-current financial liabilities	5,913	6,502
Other non-current liabilities	0	0
Deferred tax liabilities	0	0
Non-current liabilities	6,179	6,745
Current provisions	811	610
Trade payable	5,206	4,655
Tax liabilities	1,611	560
Tax payable	0	0
Other current liabilities	1,711	2 044
Current liabilities	9,339	7,869
TOTAL EQUITY AND LIABILITIES	**26,099**	**29,398**

STATEMENT OF COMPREHENSIVE INCOME AS AT 30 JUNE 2011

(in thousands of euros)	30/06/2011	30/06/2010
Revenue	**536**	**423**
Other operating revenues	0	263
Total revenues	**536**	**686**
Cost of sales	(167)	(328)
Marketing expenses	(595)	(552)
Administrative expenses	(861)	(446)
Research and development expenses	(3,900)	(4,295)
Other operating expenses	0	-
Operating income (loss)	**(4,987)**	**(4,935)**
Financial income	143	77
Financial expenses	(98)	(109)
Financial income (loss)	**45**	**(32)**
Income tax expense	0	0
Net income (loss)	**(4,942)**	**(4,967)**
including:		
Attributable to non-controlling interests	-	-
Attributable to equity holders of the parent	(4,942)	(4,967)
Translation differences	76	(37)
Total Comprehensive income for the period	**(4,866)**	**(5,005)**
including:		
Attributable to non-controlling interests	-	-
Attributable to equity holders of the parent company	(4,866)	(5,005)
Basic earnings per share - in euros	(0.16)	(0.17)
Diluted earnings per share - in euros	(0.16)	(0.17)

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	30/06/2011	30/06/2010
Net income (loss)	(4,942)	(4,967)
Adjustment for:		
- Depreciation, amortisation and charges to provisions	440	164
- Income (loss) from asset sale	0	0
- Non-cash income and expenses linked to share-based payments	52	148
- Other non-cash income and expenses	(39)	(4)
- Income tax expense	0	0
- Change in deferred tax	0	0
- Impact of change in working capital requirement generated by operating activities	2,158	343
- Income from interest on financial assets	(97)	(27)
- Cash flow from operations before tax and interest	**(2,429)**	**(4,343)**
- Income Tax (paid)/received		0
Net cash flow from operating activities	**(2,429)**	**(4,343)**
Acquisitions of fixed assets	(279)	(236)
Sales of tangible and intangible assets	4	0
Acquisitions of financial assets	(13,000)	(16,900)
Proceeds from the sale of financial assets	17,000	3,500
Changes in loans and advances	0	0
Interest (paid)/received	193	20
Other cash flow related to investing activities	0	0
Net cash flow from investing activities	**3,918**	**(13,616)**
Dividends paid		
Capital increase (decrease)	584	21,221
Issuance of loans and receipt of conditional advances	500	0
Repayments of loans and conditional advances	0	(150)
Other cash flows from financing activities	0	(100)
Net cash flow from financing activities	**1,084**	**20,971**
Effect of exchange rate fluctuations	76	(37)
Effect of assets held for sale	0	0
Impact of changes in accounting principles	0	0
Net increase / decrease in cash and cash equivalents – by cash flows	**2,650**	**2,975**
Cash and cash equivalents – opening balance	2,679	1,785
Cash and cash equivalents – closing balance	5,329	4,760
Net increase / decrease in cash and cash equivalents – by closing balances	**2,650**	**2,975**