Paris, 20 February 2011 – 6:30pm

2011 Annual financial results

8 phase 3 and 9 phase 2 studies under way with masitinib

Encouraging survival results of masitinib vs. Sutent® in the treatment of Gleevec®-resistant GIST

Veterinary Sales up 20%

AB Science SA (NYSE Euronext – FR0010557264 – AB), a pharmaceutical company specialised in research, development and marketing of protein kinase inhibitors (PKIs), reports today its annual financials as at 31 December 2011 and provides an update on its activities. The Board who met on February 17th, 2012, reviewed the consolidated financials for the year 2011. Audit procedures on consolidated financials were performed. The audited financial report is available on the Company's website.

Commenting on this announcement, Alain Moussy, Chairman and CEO of AB Science declared: "Our development plan, made of 8 phase 3 and 10 phase 2 studies is going forward in line with our objectives. At this pace, we have at our disposal almost two years of cash to continue our clinical trials. Veterinary sales, in spite the introduction of a new competitor in Europe, continue to grow and complement our financial resources. Encouraging survival results in phase 2 for masitinib compared to Sutent® in the treatment of Gleevec®-resistant GIST, invite us to continue our development in this indication."

I. Key events of year 2011:

In human medicine

- AB Science announced the recruitment of first patients in the treatment of metastatic melanoma expressing c-Kit JM-mutation.
- AB Science announced the recruitment of first patients in the treatment of severe persistent asthma.
- AB Science obtained authorisation from the FDA (IND) to start its phase 3 study in severe asthma.
- First patients were included in a new phase 2B/3 study in rheumatoid arthritis.
- First patients were included in a new phase 3 study in progressive forms of multiple sclerosis.
- Moreover, AB Science ended the recruitment of a phase 2 study with 44 patients in the treatment of Gastro-Intestinal Stromal Tumor (GIST) comparing masitinib to Sutent® after failure in first-line treatment with Gleevec®, with encouraging results of survival.

In veterinary medicine

- AB Science received in February 2011 authorisation from the FDA (Food and Drug Administration) to market masitinib in the United States for the treatment of canine mast cell tumour. Actual commercialisation started in the US in the first quarter 2011. In parallel,

during the first half of 2011, AB Science built up a logistics platform and network of distributors so as to support sales growth.

- AB Science published 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.

- AB Science published in the journal *Veterinary Dermatology* findings from its phase 3 study of masitinib in the treatment of canine atopic dermatitis, in a paper entitled 'Masitinib decreases signs of canine atopic dermatitis: a multicentre, randomised, double-blind, placebo-controlled phase 3 trial'. This publication is a validation by the scientific community of the efficacy and safety of masitinib in this inflammatory disease. It is an important milestone, validating the possible use of 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.

Other events

- AB Science has obtained a €1.7 million credit line, running until February 2016, received from the Neuflize OBC (ABN Amro group) for €1.2 million and BNP Paribas for €500 thousand, repayable over 5 years starting from the date of contract signature and with a two-year differed payment period. It is counter guaranteed by Oseo at 60%. At the closing date, €500 thousand were drawn down.

- Following the exercise of BSCPEs and BSAs (stock warrants), 439,503 shares of €0.01 par nominal value were issued in 2011, resulting in a €4,395.03 capital increase.

- A bond loan agreement, convertible or reimbursable in ordinary shares, for a nominal amount of €7,539,400 (149 bonds with €50,600 nominal value), 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 will be convertible into shares at any time at the initiative of the Bondholder, each Bond giving right to a preset number of shares, determined as follows: "O/P" where O is the nominal value of the Bond and P is equal to 12.65. The Bonds are automatically reimbursed in shares, if after December 31st 2013, the 3-month moving average share price of the Company with a 1 euro cent nominal value is greater or equal to 18 euros. The Bonds may be reimbursed by anticipation in cash at the option of AB Science under certain conditions. Otherwise, they will be repayable in full in cash on the seventh anniversary of the issue date at their nominal value.

II. Recent events since the closing of the financial year

In human medicine

AB Science announced encouraging results in its phase 2 study of masitinib in the gastro-intestinal stromal tumors (GIST) in resistance to Gleevec®; masitinib improved significantly overall survival compared to Pfizer's Sutent® (sunitinib), an approved drug in the treatment of GIST in second line,

which is currently the reference treatment for these patients. In this study, the median survival is not reached with masitinib and is higher than 21 months, while the median survival is reached with sunitinib and is equal to 15 months. Besides, the harzard ratio, i.e. the probability of survival with masitinib v. with sunitinib is 3.2. Detailed results from this study were submitted for communication to the next meeting of ASCO (American Society of Clinical Oncology). These results, generated with a small cohort of 44 patients, encourage AB Science to continue the development of masitinib in this indication.

III. 2011 and 2010 consolidated financial statements

(in thousands of euros)	Dec 31st, 2011	Dec 31st, 2010
Revenues from Sales	1,104	917
Other operating revenues	0	263
Total operating income	1,104	1,180

Operating revenues as at 31 December 2011 amounted to €1,104 thousand, compared to €1,180 thousand in the previous year.

Sales as at 31 December 2011 amounted to €1,104 thousand, compared to €917 thousand as at 31 December 2010 – which is a 20.4% growth – and were entirely generated by the commercialisation of a drug in veterinary medicine.

As at 31 December 2010, other operating revenues mainly relate to a €260 thousand indemnity that was part of the dispute settlement and which was received on July 27 2010.

(in thousands of euros)	Dec 31st, 2011	Dec 31st, 2010
Cost of goods sold	301	377
Marketing costs	1,091	1,146
Administrative costs	1,843	1,252
R&D costs	7,586	7,994
Other operating expenses	0	0
Total operating expenses	**10,820**	**10;769**

Operating expenses as at 31 December 2011 amounted to €10,820 thousand, as compared with €10,769 thousand in the previous year, which is a 0.5% increase.

The Company's marketing expenses amounted to €1,091 thousand as at 31 December 2011, as compared with €1,146 thousand in the previous year, which is a 4.8% decrease.

Administrative expenses increased by 47.2%, up from €1,252 thousand as at 31 December 2010 to €1,843 thousand as at 31 December 2011. This increase (€591 thousand) is explained mainly by the reversal of the accrual of IPO expenses (€303 thousand) as at 31 December 2010.
Beyond that accrual, administrative expenses grew by €288 thousand (+23%). This increase is explained by:

- Increase of personnel expenses (+ €161 thousand)
- Increase in accounting, tax and legal fees (+ €86 thousand)

Research and development expenses decreased by 5.1%, down from €7,994 thousand as at 31 December 2010 to €7,586 thousand as at 31 December 2011.
This decrease is explained mainly by the following factors:

- increase of the research tax credit by €292 thousand, from €2,862 thousand in 2010 to €3,154 thousand in 2011.
- Increase of other research and development expenses (+ €116 thousand) due to the continuation of the program of clinical studies.

Operating profit/loss

The operating loss as at 31 December 2011 amounted to €9,716 thousand, compared to a €9,589 thousand as at 31 December 2010, which is an increase of the operating loss by €127 thousand (1.3%) for the reasons provided above.

Financial profit/loss

The financial profit as at 31 December 2011 is €51 thousand, as compared to a €102 thousand income a year earlier. This decrease is mainly explained by the following factors:

- Increase of revenues from financial assets and cash equivalent by €128 thousand which grow from €164 thousand in 2010 to €292 thousand in 2011.
- Increase in other financial expenses mainly related to accrued interests on the bond loan (+ €213 thousand). As at 31 December 2011, the annual interests (at a 1.25% rate) to be paid annually amount to €34 thousand and the accrued interests (at a 4.75% rate) to be paid only in case of reimbursement of the loan in cash amount to €179 thousand.

Net profit/loss

The total net loss on 31 December 2011 amounts to €9,651 thousand, compared to €9,489 thousand on 31 December 2010, increasing by 1,7% for the reasons provided above.

IV. Consolidated balance sheet information

Assets

Given the expected sales perspectives, development costs were expensed. 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 14.7% as at 31 December 2011, from €932 thousand as at 31 December 2010 to €1,069 thousand as at 31 December 2011.

Inventories amount to €621 thousand as at 31 December 2010 as compared to €832 as at 31 December 2010. They are related to the inventory of raw materials and principal ingredient (€359 thousand), to the inventory of work-in-progress products (€180 thousand) and to the inventory of finished products (€82 thousand).

Trade receivable increased from €107 thousand at the end of 2010 to €136 thousand as at 31 December 2011. This increase was induced by the increase in sales.

Current financial assets decreased by 50.2% between the 31 December 2010 and the 31 December 2011, from €17,203 thousand to €8,558 thousand. These financial assets correspond mainly to cash instruments, the term of which is beyond 3 months. This decrease is the result of the reclassification as cash equivalent of certificates of deposits with maturity lower than 3 months (€10,000 thousand). As at 31 December 2010, the maturity of those certificates of deposit was greater than three months.

Other current assets of the Company amount to €6,901 thousand as at 31 December 2011, compared to €7,384 thousand as at 31 December 2010, i.e. a 6.5% decrease over the period.
This decrease is explained by the main following factors:

- Increase in the research tax credit receivable (€292 thousand)
- Decrease of the following assets:
    - Conditional advances receivable (€292 thousand)

- Subsidies receivable (€158 thousand)
- VAT receivable (€226 thousand)

Cash increased by 340.8% between the 31 December 2010 and the 31 December 2011, from €2,679 thousand to €11,808 thousand mainly because of the investment of cash in cash instruments with maturity larger than three months (€10,000 thousand).

Liabilities

Funding used by the Company comes mainly from capital increases 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 2010 and the 31 December 2011.

(in thousands of euros) – IFRS norms	Company Equity
Equity as at 31 December 2010	14,783
Capital increases and additional paid-in capital net of issue costs	1,315
Total profit/loss over the period	(9,680)
Conversion options	1,167
Payments in shares	97
Own shares	47
Equity as at 31 December 2011	**7,731**

As at 31 December 2011, the Company's net equity stood at €7,731 thousand.

Over the last two years, the main variations, except for the annual profits/losses, derived from the capital increases in 2011 and 2010 for €1,315 thousand and €23,036 thousand, respectively and the booking of the equity component of the bond loan for €1,167 thousand.

Current liabilities amount to €9,359 thousand as at to 31 December 2011 as compared to €7,869 thousand at the end of 2010, i.e a 18.9% increase.
This increase (€1,490 thousand) is explained in particular by the following factors:

- Increase in current accruals (€92 thousand) related to the adjustment of the tax accrual;
- increase in trade payable (€578 thousand);
- increase in current financial liabilities (€1,260 thousand) related to the reclassification of the credit line from non-current financial liability to current financial liability for €1,000 thousand, as its maturity is in February 2012;
- decrease of other current liabilities (€440 thousand), mainly related to the reversal of the deferred income as at 31 December 2010 (€390 thousand) related to the subsidy receivable from Oséo.

Non-current liabilities include mainly a bond loan (€5,815 thousand), a bank debt for €500 thousand and conditional advances. They amount to €12,372 thousand as at 31 December 2011, compared to €6,745 thousand as at 31 December 2010, i.e. an increase by €5,627 thousand related notably to the issue of a bond loan convertible or reimbursable in ordinary shares.

Next financial appointments in 2012

Financial communication on 1st quarter 2012: April, 16th 2012
General Shareholders' Meeting: March, 30th 2012

Find our complete 2011 financial report on www.ab-science.com

About AB Science

Founded in 2001, AB Science is a pharmaceutical company specialising in the research, development and commercialisation of novel targeted therapies for patients with cancer or other important diseases with unmet medical needs including inflammatory and central nervous system diseases.

AB Science has developed a proprietary portfolio of protein kinase inhibitors (PKIs), a new class of targeted molecules the action of which is to modify signalling pathways within cells. AB Science's lead product, masitinib, has already been registered in veterinary medicine in Europe and the US, and is currently under development in 9 phase 3 human studies, including 8 on-going studies in pancreatic cancer, GIST, metastatic melanoma expressing JM mutation of c-Kit, multiple myeloma, mastocytosis, severe persistent asthma, rheumatoid arthritis, and progressive multiple sclerosis. The Company is headquartered in Paris, France, and is listed on Euronext Paris (Ticker: AB).

More information is available on our 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.

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FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011

Assets (in thousands of euros)	Dec 31st, 2011	Dec 31st, 2010
Intangible assets	1,103	1,009
Tangible assets	151	156
Non-current financial assets	159	27
Other non-current assets	25	0
Deferred tax assets	0	0
Non-current assets	1,438	1,193
Inventories	621	832
Trade receivable	136	107
Current financial assets	8,558	17,203
Other current assets	6,901	7,384
Cash and cash equivalents	11,808	2,679
Current assets	28,024	28,205
TOTAL ASSETS	**29,462**	**29,398**

Liabilities (in thousands of euros)	Dec 31st, 2011	Dec 31st, 2010
Share capital	316	311
Additional paid-in capital	67,823	66,512
Translation reserve	(12)	16
Other reserves and results	(60,397)	(52,057)
Total equity attributable to equity holders of the Company	7,731	14,783
Non controlling interests		
Total equity	7,731	14,783
Non-current provisions	273	243
Non-current financial liabilities	11,532	6,502
Other non-current liabilities	0	0
Deferred tax liabilities	568	0
Non-current liabilities	12,372	6,745
Current provisions	702	610
Trade payable	5,233	4,655
Current financial liabilities	1,820	560
Tax liabilities / Tax payable	0	0
Other current liabilities	1,604	2,044
Current liabilities	9,359	7,869
TOTAL EQUITY AND LIABILITIES	**29,462**	**29,398**

STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2011

(in thousands of euros)	Dec 31st, 2011	Dec 31st, 2010
Revenue	**1,104**	**917**
Other operating revenues	0	263
Total revenues	**1,104**	**1,180**
Cost of sales	(301)	(377)
Marketing expenses	(1,091)	(1,146)
Administrative expenses	(1,843)	(1,252)
Research and development expenses	(7,586)	(7,994)
Other operating expenses	0	-
Operating income (loss)	**(9,716)**	**(9,589)**
Financial income	378	180
Financial expenses	(327)	(77)
Financial income (loss)	**51**	**102**
Income tax expense	15	(2)
Net income (loss)	**(9,651)**	**(9,489)**
including:		
Attributable to non-controlling interests	-	-
Attributable to equity holders of the parent Company	(9,651)	(9,489)
Translation differences	(29)	8
Total Comprehensive income for the period	**(9,680)**	**(9,481)**
including:		
Attributable to non-controlling interests	-	-
Attributable to equity holders of the parent company	(9,680)	(9,481)
Basic earnings per share - in euros	(0.31)	(0.32)
Diluted earnings per share - in euros	(0.31)	(0.32)

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euros)	Dec 31st, 2011	Dec 31st, 2010
Net income (loss)	(9,651)	(9,489)
Adjustment for:		
- Depreciation, amortisation and charges to provisions	478	717
- Income (loss) from asset sale	0	0
- Non-cash income and expenses linked to share-based payments	97	281
- Other non cash income and expenses	5	(14)
- Income tax expense	(16)	0
- Change in deferred tax	0	0
- Impact of change in working capital requirement generated by operating activities	801	807
- Income from interest on financial assets	(34)	(163)
Cash flow from operations before tax and interest	**(8,320)**	**(7,863)**
Income Tax (paid)/received		0
Net cash flow from operating activities	**(8,320)**	**(7,863)**
Acquisitions of fixed assets	(433)	(480)
Sales of tangible and intangible assets	0	0
Acquisitions of financial assets	(8,500)	(17,071)
Proceeds from the sale of financial assets	17,000	3,500
Changes in loans and advances	0	0
Interest received/(paid)	319	14
Other cash flow related to investing activities	0	0
Net cash flow from investing activities	**8,386**	**(14,037)**
Dividends paid		
Capital increase (decrease)	1,315	23,036
Issuance of loans and receipt of conditional advances	7,851	0
Repayments of loans and conditional advances	(75)	(150)
Other cash flows from financing activities	0	(100)
Net cash flow from financing activities	**9,091**	**22,786**
Effect of exchange rate fluctuations	(29)	8
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	**9,128**	**894**
Cash and cash equivalents – opening balance	2,679	1,785
Cash and cash equivalents – closing balance	11,808	2,679
Net increase / decrease in cash and cash equivalents – by change in closing balances	**9,128**	**894**