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First half 2010 financial results

Progress reported in activity generated in veterinary medicine

End of patients' recruitment in phase 3 in pancreatic cancer in human medicine

AB Science SA (NYSE Euronext - FR0010557264- AB), pharmaceutical company specialised in research, development and marketing of protein kinase inhibitors (PKI), today reported its financial results for the six months ended June 30, 2010 and provided an update on its activities.

Commenting on this publication, Alain Moussy, Chairman and CEO of AB Science declared: *« The progress made in sales from our first anticancer treatment in veterinary medicine and the positive feedback we receive from veterinarians and pet-owners is very encouraging. In human medicine, we completed the recruitment of patients in our phase 3 in pancreatic cancer and the study is progressing toward completion. The funds raised through our initial public offering will allow us to continue our development, including through the initiation of new phases 3 in human medicine with our lead drug masitinib ».*

I. Key events of the first six months of 2010 :

- **AB Science completed with success its listing on the B Compartment of the NYSE Euronext exchange:**
 - The introduction price was € 12.65 per share
 - 1,305,700 new shares were issued as part of the share offering and 1,189,000 existing shares were sold (of which 137,574 for extension clause and 325,515 for over allotment option)
 - **The net proceeds from the share issue was around € 31,6 million**, of which € 16.5 million for capital increase and € 15.1 million for the selling shareholders.
- On April 23rd 2010 following the share listing of AB Science, six bonds were converted into 237.150 ordinary shares with a nominal value of 0.01 euro each, resulting in a capital increase of about € 3 million.
- **Revenues, which are currently solely based on the veterinary franchise, made good progress** and were €423 thousand, compared to €33 thousand for the first half 2009 and €316 thousand at 31 December 2009.
- Since the beginning of the year, the company continues its clinical development program in both human and veterinary medicine, in oncology, inflammatory diseases and central nervous system disease. The company is currently preparing the initiation of new phases 3.
- **OSEO, through its programme sustaining Strategic Industrial Innovation, will provide**, as part of the APAS-IPK project for the development of a new generation of anti-cancerous drugs, **a support to AB Science for a total amount of € 6.2 million**, € 1.8 million of which as subsidies and € 4.4 million as repayable advances.
- A compensation and nomination committee was set up by the Board of Directors ; it includes 3 members:
 - Mr Jean-Pierre Kinet, Board member of AB Science and member of the Board of Directors of UCB Pharma group;
 - Mr John Pieters, Board member of AB Science and former Executive Director of Amgen France;
 - Mr Matthieu O'Neill, independent expert, Partner in charge of the Benefits department of Hays group in France.Mr Jean-Pierre Kinet chairs the compensation and nomination committee.

The Board of Directors is now assisted by a scientific committee, an audit committee, and a compensation and nomination committee.

II. Recent events since the closing of the half-year

- **In human medicine, the enrolment of patients in the phase III study AB07012 testing masitinib in pancreatic cancer has reached the number of patients set initially and enrolment for this study is therefore completed.** Patients continue to receive their treatment. Enrolment may possibly resume beyond the initial objective, following recommendations from IDMC. Study data should be known around the end of 2011.
- In veterinary medicine, the American Journal of Veterinary Research, one of the most influential peer-reviewed journals publishes an article named "Masitinib significantly increases 12- and 24-month survival rates in dogs with mast cell tumors". **The company anticipated that this publication, targeting a large audience and validating the ability of masitinib to increase survival in canine mast cell tumour, will contribute to set masitinib as the standard of care within the veterinary community.**
- The European Medicines Agency did not accept to extend the label of masitinib in canine mast cell tumour to tumours not expressing the JM mutation of tyrosine kinase receptor c-Kit, considering that the benefit/risk balance was less favorable in this sub-population than in the population for which the drug is already registered. The company anticipates that this decision will have no impact on sales volumes.

III. Financial consolidated summary for the first half 2010 and 2009

Revenues for the first half of 2010 were €423 thousand, compared to €33 thousand during the same period in 2009. These revenues were generated as follows:

- €364 thousand from sales of masitinib in veterinary medicine, increasing by 43,9% as compared to sales for the second semester 2009.
- €59 thousand from invoicing to US veterinarians of freight and handling charges for the shipment of masitinib to US veterinarians under compassionate import requests, increasing by 96.7% as compared to sales for the second semester 2009.

In order to have at its disposal an established client 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 around € 522 thousand in revenues for the first half of 2010, against €218 thousand in the second half of 2009, i.e. an increase of 139.4% versus the preceding period.

Moreover, the company recorded other operating revenue mainly related to a €260 thousand compensation to be received within the settlement of a dispute.

Operating charges amounted as at 30 June 2010 to €5,621 thousand, as compared with €4,333 thousand one year earlier, which is an increase of around 29.7%.

The Company's marketing expenses amounted to €552 thousand as at 30 June 2010, of which €322 thousand related to the veterinary franchise in Europe, the remainder corresponding to the implementation of the structure in anticipation of the marketing of masitinib in veterinary medicine in the United States. These expenses increased by €78 thousand as compared at 30 June 2009 (+16.5%). This change was mainly the consequence of the **recruitment of two sales representatives to reinforce capabilities in Germany and in the United Kingdom.**

Administrative expenses decreased by 34%, down from €676 thousand as at 30 June 2009 to €446 thousand as at 30 June 2010.

Research and development expenses increased by 35.2%, up from €3,177 thousand as at 30 June 2009 to €4,295 thousand as at 30 June 2010.

This increase is explained mainly by the following factors:

- the increase of other research and development expenses (+ €526 thousand) due to **the development of clinical studies, including the launch of new studies and Phase 3 studies in particular.**
- The decrease in the research tax credit from €1,395 thousand as at 30 June 2009 to € 803 thousand as at 30 June 2010. This decrease flows from the exclusion from the base for the tax credit of received subsidies and conditional advance over the period. The calculation base of the research tax credit was thus decreased by € 2,367 thousand over the period, which represents an impact of €710 thousand.

Conditional advances will be added back to the calculation base for the research tax credit on the same year they are paid back.

Operating result

The operating loss amounted to €4,935 thousand in the six months ended June 30, 2010, compared to € 4,300 thousand in the same period of 2009 (increase of 14,8%).

Financial result

The group generated financial loss of 32 K€ as at 30 June 2010, as compared to a gain of 85 K€ a year earlier. The decrease was primarily due to a decrease in revenues from investment securities. The loss of 32k€ was primarily caused by exchange rate variations that were unfavourable to the Company (56k€) and compounding of conditional advances (19k€), partially offset by revenues from investment securities of 51k€).

Total net loss of the period

The total net loss for the period was €4,967 thousand on June 30, 2010, compared to €4,215 thousand on June 30, 2009, increasing by 17,8%.

IV. Consolidated balance sheet information

Assets

Inventories amount to €829 thousand as at 30 June 2010 as compared to €985 as 31 December 2009. They are related to the inventory of raw materials and principal ingredient (€481 thousand), to the inventory of work-in-progress products (€328 thousand) and the inventory of finished products (€20 thousand).

Trade receivable increased from €107 thousand on 31 December 2009 to €133 thousand on 30 June 2010. The increase of this item is related to the increase in revenues.

Pursuant to the listing of the company in April 2010, the current financial assets increased from 3 506 K€ to 16 938 K€ and cash increased from €1,785 thousand to €4,760 thousand. Other current assets of the Company remain stable. They amounted to €6,746 thousand as at 31 December 2009, versus €6,806 thousand as at 30 June 2010.

Liabilities

As at 30 June 2010, the Company's net equity stood at €17,403 thousand.

Current liabilities to 30 June 2010 amounted to €7,514 thousand as compared with €7,965 thousand to 31 december, i.e an decrease of 9.4% due to the decrease of trade payable.

Non-current liabilities are attributable to credit line amounting €1,000 thousand and to conditional advances. Non-current liabilities amount to €5,725 thousand as at 30 June 2010 compared with €5,080 thousand as at 30 June 2009, i.e. an increase of €645 thousand linked mainly to a conditional advance to be received from Oséo (€928 thousand) and to the reclassifications of the part long/small term of conditionals advances (€350 thousand).

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

Main risks and uncertainties

The main risks and main uncertainties that the Company is facing for the first six months and for the next six months of the financial year 2010 are those risks and uncertainties described under chapter 4 of the Registration Document and its update registered with the "Autorité des Marchés Financiers" on February 10th 2010 and april 7th 2010.

AB Science - Communication financière & Relations Presse

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FINANCIAL STATEMENTS AS AT 30 JUNE 2010

| | June 30, 2010 | December 31, 2009 |
|---------------------------------------|------------------|----------------------|
| Assets (in thousands of euros) | | |
| 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 |

| | June 30, 2010 | December 31, 2009 |
|---|------------------|----------------------|
| Liabilities (in thousands of euros) | | |
| Share capital | 304 | 286 |
| Additional paid-in capital | 64 705 | 43 502 |
| Translation reserve | (28) | 9 |
| Other reserves and results | (47 577) | (42 756) |
| Total equity attributable to equity holders of the Compagny | 17 403 | 1 041 |
| Non controlling interests | | |
| Total equity | 17 403 | 1 041 |
| Non-current provisions | 306 | 258 |
| Non-current financial liabilities | 5 418 | 4 822 |
| Other non-current liabilities | 0 | 0 |
| Deferred tax liabilities | 0 | 0 |
| Non-current liabilities | 5 725 | 5 080 |
| Current provisions | 130 | 130 |
| Trade payables | 4 738 | 5 485 |
| Current financial liabilities | 710 | 506 |
| Tax liabilities / Tax payable | 0 | 0 |
| Other current liabilities | 1 936 | 1 844 |
| Current liabilities | 7 514 | 7 965 |
| TOTAL EQUITY AND LIABILITIES | 30 641 | 14 086 |

STATEMENT OF COMPREHENSIVE INCOME AS AT 30 JUNE 2010

| <i>(in thousands of euros)</i> | First half 2010 | First half 2009 |
|--|--------------------|--------------------|
| Revenue | 423 | 33 |
| Other operating revenues | 263 | - |
| Total revenues | 686 | 33 |
| Cost of sales | (328) | (6) |
| Marketing expenses | (552) | (474) |
| Administrative expenses | (446) | (676) |
| Research and development expenses | (4 295) | (3 177) |
| Other operating expenses | 0 | - |
| Operating income (loss) | (4 935) | (4 300) |
| Financial income | 77 | 218 |
| Financial expenses | (109) | (133) |
| Financial income (loss) | (32) | 85 |
| Income tax expense | 0 | 0 |
| Net income (loss) | (4 967) | (4 215) |
| including : | | |
| Attributable to non-controlling interests | - | - |
| Attributable to equity holders of the parent | (4 967) | (4 215) |
| Translation differences | (37) | (4) |
| Total Comprehensive income for the period | (5 005) | (4 219) |
| including : | | |
| Attributable to non-controlling interests | - | - |
| Attributable to equity holders of the parent | (5 005) | (4 219) |
| Basic earnings per share - in euros | (0,17) | (148,00) |
| Diluted earnings per share - in euros | (0,17) | (148,00) |

As at 30 June 2009, the earnings per share is calculated before the division by 1000 of the nominal value of shares, which occurred on 31 December 2009.

CONSOLIDATED STATEMENT OF CASH FLOWS

| | First half 2010 | First half 2009 |
|---|--------------------|--------------------|
| Net income (loss) | (4 967) | (4 215) |
| Adjustment for : | | |
| - Depreciation, amortisation and charges to provisions | 164 | 225 |
| - Income (loss) from asset sale | 0 | 0 |
| - Non-cash income and expenses linked to share-based payments | 148 | 226 |
| - Other non cash income and expenses | (4) | 25 |
| - Income tax expense | 0 | 0 |
| - Change in deferred tax | 0 | 0 |
| - Income from interest on financial assets | (27) | (163) |
| Impact of change in working capital requirement generated by operating activities | 343 | 1 975 |
| Cash flow from operations before tax and interest | (4 343) | (1 926) |
| Income Tax (paid)/received | | 0 |
| Net cash flow from operating activities | (4 343) | (1 926) |
| Acquisitions of fixed assets | (236) | (156) |
| Sales of tangible and intangible assets | 0 | 0 |
| Acquisitions of financial assets | (16 900) | (5 500) |
| Proceeds from the sale of financial assets | 3 500 | 8 987 |
| Changes in loans and advances | 0 | (4) |
| Interest (paid)/received | 20 | 223 |
| Other cash flow related to investing activities | 0 | |
| Net cash flow from investing activities | (13 616) | 3 550 |
| Dividends paid | | |
| Capital increase(decrease) | 21 221 | |
| Issuance of loans and receipt of conditional advances | | |
| Repayments of loans and conditional advances | (150) | (150) |
| Other cash flows from financing activities | (100) | 1 |
| Net cash flow from financing activities | 20 971 | (149) |
| Effect of exchange rate fluctuations | (37) | (4) |
| Effect of assets held for sale | 0 | |
| Impact of changes in accounting principles | 0 | |
| Net increase (decrease) in cash and cash equivalents | 2 975 | 1 471 |
| Cash and cash equivalents –opening balance | 1 785 | 3 191 |
| Cash and cash equivalents –closing balance | 4 760 | 4 662 |
| Net increase / decrease in cash and cash equivalents | 2 975 | 1 471 |