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## Cessation of coverage by Société Générale

### **AB Science considers that the latest reports issued by Société Générale were not entirely relevant**

**AB Science SA** (NYSE Euronext – FR0010557264 – AB)

Following the letter sent by the Board of Directors of AB Science to Société Générale (Socgen), and the subsequent decision by Socgen to cease coverage of AB Science as of 9 December 2015, AB Science considers that the latest reports issued by Socgen were not entirely relevant since mistakes or omissions have been noticed. We report them hereunder.

#### 1. Inconsistencies in valuation of phase 3 studies

Six oncology indications currently in phase 3 studies were not valued, no explanation was provided to indicate that these phase 3 studies are however on-going and no explanation was given to justify why these phase 3 studies were not valued:

- First line treatment of GIST: Phase 3 study is on-going, phase 2 study results were published in peer reviewed journal
- Metastatic melanoma with c-Kit mutation : Phase 3 study is on-going, phase 3 study is not futile, a positive response case was published in peer reviewed journal
- Refractory T-cell Lymphoma : Phase 3 study is on-going, abstract on phase 3 study was presented in a congress
- Metastatic refractory colorectal cancer : Phase 3 study is on-going, abstract on phase 2 study was presented in a congress
- Metastatic refractory prostate cancer : Phase 3 study is on-going, abstract on phase 2 study was presented in a congress
- First relapse multiple myeloma : Phase 3 study is on-going

#### 2. Inconsistencies in the integration of non-futility test results of on-going phase 3 studies to calculate the probability of success of those phase 3 studies

- Non futility of phase 3 study in severe asthma uncontrolled by oral corticosteroid: increase in probability of success from 40% to 60%
- Non futility of phase 3 study in Alzheimer's disease: no change in probability of success at 10%
- Non futility of phase 3 study in progressive forms of multiple sclerosis: no change in probability of success at 10%
- Non futility of phase 3 study in amyotrophic lateral sclerosis: increase in probability of success from 20% to 30%
- Non futility of phase 3 study in metastatic melanoma with c-kit mutation: no change in probability of success at 0%

3. Change of recommendation from Buy (TP=23€) to sell (TP=12€) due to increase in R&D expenses, inconsistent with facts:

- The increase in R&D expenses was previously largely anticipated by Socgen and the real increase from anticipation could not justify the reduction in price share

Expenses (revenues-EBITDA) in M€	Target price	12/15e	12/16e	12/17e	Total 2015/2017
01 Jul 2015 (Buy)	23€	21	23	30	74
08 Sept 2015 (Sell)	12€	24	26	32	82
Difference		+3	+3	+2	+8
% increase versus previous estimate					+11%

- The increase in R&D expenses was a positive news reflecting acceleration of R&D recruitment program, with a doubling of the number of patients enrolled into the clinical development from a trend of 600 patients per year to a trend above 1200 patients per year, leading to an earlier read out of the results of the phase 3 studies
4. Increase of target price by 1€ from 13€ in November 2014 (initiation) to 14€ in December 2015 is inconsistent with the following positive news flow:
- Phase 3 study in severe asthma uncontrolled by oral corticosteroid passed futility test
  - Four phase 2 studies in oncology moved to phase 3 studies (refractory T-cell lymphoma, metastatic refractory colorectal cancer, metastatic prostate cancer, refractory metastatic gastric cancer)
  - Phase 3 study in Alzheimer's disease passed futility test
  - Phase 3 study in progressive multiple sclerosis passed futility test
  - Phase 3 study in metastatic melanoma with c-kit mutation passed futility test
  - Phase 3 study in mastocytosis was successful to reach its primary and secondary objectives
  - Phase 3 study in amyotrophic lateral sclerosis completed recruitment
  - Phase 3 in rheumatoid arthritis was discontinued but was not included in the financial model of Socgen
5. Increase of target price by 1€ from 13€ in November 2014 (initiation) to 14€ in December 2015 is inconsistent with the fact that at the initiation of coverage, a positive phase 3 result in mastocytosis in 2015 was presented as a major catalyst by Socgen

Here are the target prices of the analysts covering AB Science after integration of mastocytosis phase 3 study results:

Keay Nakae (USA) Target Price: 30.00€ - Buy  
 Chardan Capital Markets, LLC  
[knakae@chardancm.com](mailto:knakae@chardancm.com)

Sébastien Malafosse (France) Target Price: 40.20€ - Buy  
 Oddo Securities - Oddo & Cie  
[smalafosse@oddo.fr](mailto:smalafosse@oddo.fr)

Arnaud Guerin (France) Target Price: 27,50€ - Buy  
 Portzamparc Société de Bourse  
[guerin@portzamparc.fr](mailto:guerin@portzamparc.fr)

Table 1 summarizes the different publications of Socgen opinions on AB Science

Table 1: summary of Socgen coverage on AB Science

	SG Note published and triggering event								
Indications in phase 3	Initiation	Asthma Non Futility	Positive Phases 2 in oncology	Non Futility of phase 3 in Alzheimer	Non Futility of phase 3 in Amyotrophic Lateral Sclerosis	Valuation of Gastric cancer indication based on phase 2	Non Futility of phase 3 in Multiple Sclerosis	Increase R&D expenses	Positive phase 3 in mastocytosis
	17.11.2014	03.12.2014	03.02.2015	10.02.2015	12.05.2015	01.07.2015	No Note	08.09.2015	02.12.2015
<b>Oncology</b>	Probability of success								
GIST L1	10%							0%	
GIST L2	40%							7%	
Melanoma Kit mutation	0%							0%	
Multiple Myeloma	0%							0%	
T-Cell Lymphoma								0%	
Pancreatic cancer	10%							10%	
Colorectal cancer			0%					0%	
Prostate cancer			0%					0%	
Gastric cancer			0%			NA		NA	
<b>Inflammatory Diseases</b>									
Mastocytosis	30%							30%	70%
Severe asthma	40%	60%						60%	
Rheumatoid Arthritis	0%							0%	
<b>CNS Diseases</b>									
Alzheimer's disease	10%			10%				10%	
Multiple sclerosis	10%							10%	
ALS	20%				30%			30%	
<b>Target Price</b>	<b>13,1</b>	<b>14,0</b>	<b>14,0</b>	<b>19,0</b>	<b>19,0</b>	<b>23,0</b>		<b>12,0</b>	<b>14,0</b>
<b>Recommendation</b>	<b>Hold</b>	<b>Hold</b>	<b>Hold</b>	<b>Hold</b>	<b>Hold</b>	<b>Buy</b>		<b>Sell</b>	<b>Hold</b>

### About masitinib

Masitinib is a new orally administered tyrosine kinase inhibitor that targets mast cells and macrophages, important cells for immunity, through inhibiting a limited number of kinases. Based on its unique mechanism of action, masitinib can be developed in a large number of conditions in oncology, in inflammatory diseases, and in certain diseases of the central nervous system. In oncology due to its immunotherapy effect, masitinib can have an effect on survival, alone or in combination with chemotherapy. Through its activity on mast cells and microglia and consequently the inhibition of the activation of the inflammatory process, masitinib can have an effect on the symptoms associated with some inflammatory and central nervous system diseases and the degeneration of these diseases.

### 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 class of targeted proteins whose action are key in signaling pathways within cells. Our programs target only diseases with high unmet medical needs, often lethal with short term survival or rare or refractory to previous line of treatment in cancers, inflammatory diseases, and central nervous system diseases, both in humans and animal health.

AB Science has developed a proprietary portfolio of molecules and the Company's lead compound, masitinib, has already been registered for veterinary medicine in Europe and in the USA. The company is currently pursuing thirteen phase 3 studies in human medicine in first-line and second-line GIST, metastatic melanoma expressing JM mutation of c-Kit, multiple myeloma, metastatic colorectal cancer, metastatic prostate cancer, pancreatic cancer, T-cell lymphoma, mastocytosis, severe asthma uncontrolled by oral corticosteroid, Alzheimer's disease, progressive forms of multiple sclerosis, and amyotrophic lateral sclerosis. The company is headquartered in Paris, France, and listed on Euronext Paris (ticker: AB).

Further information is available on AB Science website: <http://www.ab-science.com>

*This document contains prospective information. No guarantee can be given as for the realization of these forecasts, which are subject to those risks described in documents deposited by the Company to the Authority of the financial markets, including trends of the economic conjuncture, the financial markets and the markets on which AB Science is present.*

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