AB SCIENCE S.A.
Public limited company with capital of 451,450.24 euros
Head office: 3, avenue George V, 75008 PARIS
438 479 941 RCS Paris

HALF-YEAR FINANCIAL REPORT
OF THE AB SCIENCE GROUP
AT 30 JUNE 2020

A. STATEMENT BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

I declare that, to the best of my knowledge, the summary consolidated financial statements for the ending semester have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profit and loss of the Company and all the other companies included in the scope of consolidation, and that this half-year activity report includes a fair review of the important events which occurred during the first six months of the year, their impact on the half-year financial statements and the main transactions between related parties, and describes the principal risks and uncertainties for the remaining six months of the year.

President and CEO
Alain Moussy

B. HALF-YEAR ACTIVITY REPORT

1 KEY EVENTS OF THE FIRST SIX MONTHS OF 2020

Clinical trials

- Progressive forms of multiple sclerosis

Phase 2B/3 study (AB07002) evaluating orally administered masitinib in the treatment of primary progressive multiple sclerosis (PPMS) and non-active secondarily progressive multiple sclerosis (nSPMS) met its primary objective, demonstrating a statistically significant reduction in disability progression measured by the EDSS score with masitinib at a dose of 4.5 mg/kg/day ($p = 0.0256$). This treatment effect was homogeneous in PPMS and nSPMS patients.

The predefined primary endpoint was the overall change in the Expanded Disability Status Scale (EDSS) score from its baseline and averaged over 8 time points measured every 12 weeks over 2 years, with a sensitivity analysis based on ordinal change in EDSS score (i.e. +1 if improvement; 0 if stable; -1 if worsening).

Sensitivity analysis based on the ordinal variation of the ordinal EDSS score showed a significant 39% increase in the probability of having either a reduction in symptoms or a lesser progression of the disease with masitinib ($p = 0.0446$) . In addition, masitinib significantly reduced the risk of first progression of the EDSS score by 42% and the risk of confirmed progression (3 months) of the EDSS score by 37%. Masitinib also significantly reduced the risk of achieving an EDSS score of 7.0, which corresponds to a disability severe enough for the patient to travel with a wheelchair ($p = 0.0093$).

The tolerance of the product in the study was consistent with the known risk profile of masitinib.

There are two main forms of multiple sclerosis, the relapsing remitting form and the progressive form. Although significant progress has been made in the relapsing remitting form of multiple sclerosis, with 15 registered products, there is still a very important unmet medical need in the treatment of primary progressive multiple sclerosis (PPMS) and inactive secondary progressive multiple sclerosis (nSPMS), in view of the fact that there is no product registered for nSPMS and there is only one product registered for PPMS. PPMS and nSPMS represent 50% of patients with multiple sclerosis.

- Severe asthma

The phase 3 study (AB07015) evaluating orally administered masitinib for the treatment of severe asthma not controlled by oral corticosteroids achieved its primary objective. The predefined primary analysis was conducted in the population of patients with severe asthma taking a daily dose of OCS $\geq$ 7.5 mg in which treatment with masitinib significantly reduced the number of severe exacerbations ($p = 0.0103$).

AB Science presented the results of its phase 3 study AB07015 in severe asthma uncontrolled by oral corticosteroids (OCS) at the European Academy of Allergy & Clinical Immunology (EAACI) 2020 conference, held in June 2020. The EAACI is one of the most prestigious academic congresses in pulmonary medicine and the world's largest congress specialising in the field of allergies and clinical immunology.

- Covid-19

AB Science has obtained authorisation from the French Medicines Agency (ANSM) to start a phase 2 study evaluating masitinib in combination with isoquercetin in the treatment of COVID-19.

This study (AB20001) is a randomised (1: 1), open-label phase 2 clinical study to evaluate the safety and efficacy of masitinib in combination with isoquercetin in hospitalised patients with moderate and severe COVID-19.

The study will recruit 200 patients (aged 18 and over and without upper age limit) from hospitals in France and other countries. The principal objective is to improve the clinical condition of patients after 15 days of treatment.

Many patients with moderate and severe forms of COVID-19 develop a "cytokine storm" which results in severe lung inflammation and numerous thrombotic events associated with acute respiratory distress syndrome (ARDS) and potentially death. Combining masitinib with isoquercetin may prevent the development of these two complications:

- Masitinib is a potent inhibitor of mast cells and macrophages that contribute to the cytokine storm
- Isoqercetin inhibits protein disulphide isomerase (PDI), an enzyme directly involved in clot formation and decreases D-dimer, a predictor of the severity of COVID-19-related thrombosis
- The combination of masitinib and isoquercetin has a synergistic effect against senescent cells, a potential target of the virus that could explain why the mortality of COVID-19 is higher in the elderly

▪ Prostate cancer

The US Food and Drug Administration (FDA) has authorised the request for authorisation (Investigational New Drug, IND) to conduct its phase 3 study of masitinib (AB12003) in the treatment of metastatic hormone-resistant prostate cancer (mCRPC) eligible for chemotherapy.

The AB12003 study is an international, multicentric, randomised, double-blind, placebo-controlled study in 2 parallel groups in the treatment of metastatic hormone-resistant prostate cancer (mCRPC) eligible for chemotherapy. The study compares the efficacy and safety of masitinib (6.0 mg/kg/day) in combination with docetaxel compared to a placebo in combination with docetaxel. Docetaxel is associated with prednisone.

The main endpoint of the study is progression-free survival (PFS). In total, 468 patients will need to be recruited.

The target population consists of adult men who have progressed and who have developed metastatic hormone-resistant prostate cancer (mCRPC) after castration (androgen/testosterone/dihydrotestosterone reduction, by chemical or surgical action) and are therefore eligible for chemotherapy.

Other events

▪ Fund raising

In March 2020, AB Science raised 12.3 million euros in funds due to the success of a private placement, the exercise of share warrants and the implementation of a financing option aimed at using the 2019 research tax credit in advance:

- EUR 6.40 million was raised through a private placement of 860,220 new common shares at a price of EUR 7.44, representing a premium of 5.5% on the closing price.
- EUR 1.23 million were raised through the exercise of 449,014 share warrants (subscribed as part of the private placement of August 2019)
- EUR 4.70 million were raised through the implementation of the financing option aimed at using the 2019 research tax credit in advance

The proceeds from all of these transactions will be used by AB Science for general purposes and to finance its clinical development program.

▪ Other transactions on securities:

During the first semester of 2020, 65,000 stock options were allotted.

▪ Other information

AB Science confirms its eligibility for PEA-PME in accordance with Decree n° 2014-283 of 4 March 2014 issued for the application of article 70 of Finance Law n° 2013-1278 of 29 December 2013 for 2014 laying down the following rules of companies for PEA-PME eligibility: less than 5,000 employees on the one hand, an annual turnover of less than 1,500 million euros or a balance sheet total of less than 2,000 million euros, on the other hand.

2 COMMENTS FROM EXECUTIVES ON THE GROUP'S ACTIVITY

Condensed consolidated statement of comprehensive income for the period ended 30 June 2020 (IFRS):

(In thousands of euros)	30.06.2020	30.06.2019
Net revenue	807	791
Operating income	(6,895)	(10,579)
Net income	(8,801)	(13,016)
Total comprehensive income for the period	(8,713)	(13,025)
Earnings per share - in euros	(0.23)	(0.34)
Diluted earnings per share - in euros	(0.23)	(0.34)

Operating income

Operating revenue

(In thousands of euros)	30.06.2020	30.06.2019
Net revenue	807	791
Other income	0	0
Total operating income	807	791

Operating income, consisting exclusively of turnover related to the production of a drug in veterinary medicine, amounted to €807,000 as of 30 June 2020, compared to €791,000 a year earlier, an increase of 2%.

Operating expenses

(In thousands of euros)	30.06.2020	30.06.2019
Cost of sales	74	121
Marketing expenses	449	551
Administrative costs	1,059	1,098
Research and development costs	6,121	9,600
Other operating expenses	0	0
Total operating expenses	7,702	11,370

Operating expenses amounted to € 7,702,000 as of 30 June 2020, compared to € 11,370,000 as of 30 June 2019, a decrease of 32.3%.

Marketing expenses decreased by 18.5%, from € 551,000 as of 30 June 2019 to € 449,000 as of 30 June 2020.

Administrative costs fell by 3.6 %, from € 1,098,000 as of 30 June 2019 to € 1,059,000 as of 30 June 2020.

Research and development costs fell by 36.2%, from € 9,600,000 as of 30 June 2019 to € 6,121,000 as of 30 June 2020. This change is explained by the completion of a certain number of studies where masitinib was being developed, which has resulted in lower clinical costs (clinical partners, hospitals, laboratories, etc.).

Operating income

Operating income as of 30 June 2020 corresponds to a loss of € 6,895,000, against a loss of € 10,579,000 as of 30 June 2019, i.e. a decrease in the operating deficit of € 3,684,000 (34.8%).

Financial income

Financial income as of 30 June 2020 is a loss of €1,897,000 compared to a loss of €2,434,000 a year earlier.

As of 30 June 2019, the loss of € 2,434,000 is mainly related to the recognition of the change in fair value of financial liabilities. This change generated a non-recurring loss with no effect on cash.

The loss of €1,897,000 as of 30 June 2020 is also and mainly related to the recognition of the change in fair value of financial liabilities (-€1,859,000). This change generated a non-recurring loss with no effect on cash. The valuation of this financial liability is explained in Note 12.3 of the appendix to the consolidated financial statements of this report.

Net income

The net loss amounted to €8,801,000 as of 30 June 2020, compared to € 13,016,000 as of 30 June 2019, down 32.4%, for the reasons mentioned above

Cash and capital resources

Assets

Given the stage of product development, development costs have been recognised as expenses, as the marketing prospects are difficult to assess. The capitalised amount essentially corresponds to the cost of registering the Company's patents. The Company's patent registration fees, capitalised on a net basis, were down slightly compared to 30 June 2019 and amounted to € 1,479,000 as of 30 June 2020.

In application of IFRS 16, rental contracts with a term of more than 12 months are now recognised as assets by the recognition of a right of use. These amounted to € 1,812,000 as of 30 June 2020.

Inventories amount to € 151,000 in net value as of 30 June 2020 compared to € 176,000 as of 31 December 2019.

Trade receivables increased by € 157,000 and amounted to € 354,000 as of 30 June 2019, compared to € 197,000 as of 31 December 2019.

As of 30 June 2020, there are no current financial assets.
Financial assets correspond to cash instruments with a maturity of more than three months. As of 30 June 2020, no cash investment has a maturity of more than three months.

The other current assets are stable. They amount to € 8,058,000 as of 30 June 2020 compared to € 7,962,000 as of 31 December 2019.

Total cash and current financial assets amounted to € 10,559,000 as of 30 June 2020 compared to € 5,695,000 as of 31 December 2019.

Liabilities

The financing used by the company mainly consists of issues of shares and bond loans, and various public aid (research tax credit, refundable advances and subsidies).

The table below shows the change in the Company's equity between 31 December 2019 and 30 June 2020.

(In thousands of euros) - IFRS	Company equity
Company equity as of 31 December 2019	(26,829)
Capital increases and issue premiums net of costs	7,329
Total comprehensive income for the period	(8,713)
Conversion options	0
Share-based payments	48
Company equity as of 30 June 2020	(28,166)

As of 30 June 2020, Group equity amounted to – €28,166,000.

Current liabilities amounted to €24,082,000 as of 30 June 2020 compared to €19,527,000 at the end of 2019, an increase of 23.3%.
This increase of €4,555,000 is mainly explained by the following effects:

- a reduction in trade payables: €653,000

- the increase in current financial liabilities: €4,642,000. This increase results from the completion of a loan issued as part of the pre-financing of the 2019 research tax credit of $5.1 million in June 2020, repayable no later than 31 December 2020.
- the increase in other current liabilities: €559,000

Non-current liabilities amounted to €26,736,000 as of 30 June 2020 compared to €25,043,000 as of 31 December 2019, an increase of €1,693,000 which is explained as follows:

- the increase in financial instruments (€1,856,000). The change in this item is mainly related to the change in fair value of financial instruments.
- the decrease in rental obligations (IFRS 16): € 145,000

3 RECENT EVENTS SINCE THE END OF THE FIRST HALF OF THE FINANCIAL YEAR 2020

Presentation of the positive results of the phase 2B/3 AB07002 study in progressive forms of multiple sclerosis at the 8th joint ACTRIMS-ECTRIMS meeting

The positive results of the phase 2B/3 AB07002 study in primary progressive multiple sclerosis (PPMS) and non-active secondarily progressive multiple sclerosis (nSPMS) were presented at the 8th joint meeting of the Americas Committee for Treatment and Research in Multiple Sclerosis (ACTRIMS) and the European Committee for Treatment and Research in Multiple Sclerosis (ECTRIMS), which took place from 11 to 13 September 2020.

The joint ECTRIMS-ACTRIMS meeting is the world's largest international conference devoted to basic and clinical research in multiple sclerosis. This meeting regularly brings together up to 10,000 participants from all over the world and attracts thought leaders and decision-makers in the field of multiple sclerosis research and health policy.

Due to the current COVID-19 pandemic, the joint ACTRIMS-ECTRIMS 2020 meeting was held this year in a virtual format - MSVirtual2020.

Presentation of the positive results of the phase 2B/3 AB07015 study in severe asthma not controlled by oral corticosteroids at the 30th Annual International Congress of the European Respiratory Society

The positive results of the phase 2/3 AB07015 study in severe asthma not controlled by oral corticosteroids were presented at the 30th Annual International Congress of the European Respiratory Society (ERS) which took place from 7 to 9 September 2020. The purpose of the ALERT session is to present the results of important clinical studies and review the most innovative randomised clinical trial (RCT) submissions.

The Annual International Congress of the European Respiratory Society (ERS) is the largest meeting in the respiratory field, which in previous years has hosted over 20,000 delegates from around the world and is recognised as a showcase of excellence throughout the field of respiratory medicine. The 30th anniversary of the ERS Congress is an innovative and interactive virtual event.

Publication of the results of a preclinical study with masitinib in COVID-19

Research conducted by scientists at the University of Chicago was published on the bioRxiv pre-printing service in an article titled “Drug repurposing screen identifies masitinib as a 3CLpro inhibitor that blocks replication of SARS-CoV-2 in vitro”.

This article reports the results of an independent study conducted by Professor Savas Tay of the Pritzker School for Molecular Engineering (University of Chicago, USA). From a library of 1,900 clinically used drugs, either approved for human use or at an advanced stage of clinical development, masitinib has distinguished itself by its ability to completely inhibit the activity of the major protease SARS-CoV-2 (3CLpro), thereby blocking viral replication. Remarkably, the research team unravelled the mechanism of action of masitinib against SARS-CoV-2, showing that masitinib inhibits the 3CLpro protease, a SARS-CoV-2 protease which is crucial in infection. and virus reproduction, by binding directly to the catalytic site of the protease.

Renegotiation of the terms and conditions of the category C preferred stock

The terms and conditions of the 525,406 category C preferred stock, issued in December 2016 upon conversion of bonds, are detailed in the articles of AB Science. In accordance with these terms and conditions, the 525,406 category C preferred stock were to be converted, on 1 September 2020, into a number of common shares equal to the result of the following formula: [12,362,768 / 9.17] – 9.17 euros corresponding to the volume-weighted average of the AB Science share price between June 1 and June 30, 2020.

Since AB Science does not have the reserves, profits and premiums necessary to issue, on 1 September 2020, common shares upon conversion of category C preferred stock, discussions have been held between AB Science and the holders of category C preferred stock during the summer of 2020. These discussions resulted in an agreement consisting in the revision of the terms and conditions of the category C preferred stock in order to allow the conversion of these category C preferred stock in several tranches, until December 2021. For each of the tranches, the number of common shares to be issued upon conversion of the category C preferred stock will be calculated on the basis of the highest value between (i) the volume-weighted average of the AB Science share price for the previous month and (ii) the volume-weighted average of the AB Science share price for the previous three months.

In accordance with this agreement, AB Science has undertaken to issue, for the benefit of the holders of class C preferred stock, 30,000 share warrants giving the right to subscribe until the end of 2030, to 30,000 common shares in return for the payment of an exercise price of 12.65 euros per common share.

An Extraordinary General Meeting will be convened during the month of December 2020 in order to ratify and implement the agreement concluded between AB Science and the holders of category C preferred stock during the summer of 2020.

The terms and conditions of other transferable securities issued in December 2016 for the benefit of holders of category C preferred stock (i.e. so-called "*Nominal*" share warrants, so-called "*Conversion*" share warrants and so-called "*Capitalised"* share warrants) are not subject to any revision.

Issue and subscription of 6 million category D3 preferred stock

The combined General Meeting of shareholders of 31 August 2020 decided, under the terms of its eighteenth resolution, to amend the articles of association of AB Science in order to introduce the terms and conditions of the category D3 preferred stock. Pursuant to its twenty-first resolution, the combined General Meeting of shareholders of 31 August 2020 delegated its authority to the Board of Directors with a view to issuing a maximum of 6 million category D3 preferred stock for the benefit of the category of "*corporate officers or employees of the Company*".

On 1 September 2020, the Board of Directors met and decided, upon delegation of the twenty-first resolution of the combined General Meeting of 31 August 2020, to issue 5.8 million category D3 preferred stock for the benefit of Alain Moussy and 200,000 category D3 preferred stock for the benefit of Laurent Guy, Alain Moussy and Laurent Guy falling within the scope of the category of persons defined by the combined General Meeting of shareholders of 31 August 2020 under its twenty-first resolution. In accordance with the calculation formula established by first rank valuers and adopted under the twenty-first resolution of the combined General Meeting of shareholders of 31 August 2020, and taking into account the volume-weighted average of AB Science's share price over the twenty trading sessions preceding the date of the Board of Directors' meeting of 1 September 2020, which stood at 8.79 euros, the subscription price of all 6.0 million D3 shares was set at 241,231 euros.

In accordance with their terms and conditions which are listed in the articles of association of AB Science, the class D3 preferred stock will not confer any voting rights or any financial rights on holders until AB Science has obtained two marketing authorisations (from the *European Medicines Agency* or the *US Food and Drug Administration*) for one or more of its drug candidates in two different indications, these two marketing authorisations to be obtained no later than 31 December 2030. In addition, in the event of a public and/or exchange offer for AB Science, the Board of Directors will have the option of deciding on the conversion of all D3 category preferred stock in circulation into common shares based on a 1:1 conversion ratio.

No other post-closing event that may have an impact on the group's financial position has occurred since the closing.

4 DESCRIPTION OF THE MAIN RISKS AND UNCERTAINTIES FOR THE REMAINING SIX MONTHS OF THE FINANCIAL YEAR

In addition to the main risks and uncertainties described in chapter 5 of the annual financial report as of 31 December 2019. The Company is exposed to the following risks and uncertainties related to the results of clinical studies.

The coming weeks and months will be marked by the communication of the results of ongoing clinical studies with masitinib. The exact timing of reporting these results may be affected by the need to file patent applications depending on the nature of the results obtained. Nevertheless, the next clinical deadlines will be:

- Results of the final phase 3 analysis in Alzheimer's disease;
- Results of the final phase 3 analysis in severe asthma not controlled by inhaled corticosteroids and with elevated eosinophil level;
- Results of the final phase 3 analysis in pancreatic cancer;
- Results of the final phase 3 analysis in prostate cancer.

5 FORESEEABLE DEVELOPMENTS IN THE GROUP'S SITUATION AND FUTURE PROSPECTS

In 2020, AB Science will continue to allocate the bulk of its resources to the further development of masitinib, the company's most advanced molecule.

In addition, the company is initiating two confirmatory studies:

- in the treatment of amyotrophic lateral sclerosis;
- in the treatment of indolent systemic mastocytosis.

Lastly, AB Science anticipates initiating a phase 1/2 study in refractory acute myeloid leukaemia with a new molecule developed by AB Science (AB8939).

6 RELATED PARTIES

Transactions with related parties are mentioned in the notes to the condensed half-year consolidated financial statements (see paragraph 20). There has been no change affecting related party transactions since the 2019 annual closing that could significantly affect the financial position or the results of the group during the first six months of the current fiscal year.

C. IFRS CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2020

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CONDENSED STATEMENT OF FINANCIAL SITUATION AT JUNE 30, 2020

Assets (*in thousands of euros*)	Score	30/06/2020	31/12/2019
Intangible assets		1,479	1,417
Tangible assets		175	193
Rights of use relating to rental contracts	4	1,812	1,979
Non-current financial assets	8	65	67
Other non-current assets	7	0	0
Deferred taxes		0	0
Non-current assets		3,531	3,656
Inventories	5	151	230
Trade receivables	6	354	197
Current financial assets	8	0	0
Other current assets	7	8,058	7,962
Cash and cash equivalents	9	10,559	5,695
Current assets		19,122	14,085
TOTAL ASSETS		**22,653**	**17,740**

Liabilities (*in thousands of euros*)	Score	30/06/2020	31/12/2019
Capital	10	446	435
Premiums		210,209	202,891
Translation reserve		(65)	(72)
Other reserves and results		(238,756)	(230,083)
Equity attributable to owners of the company		(28,166)	(26,829)
Non-controlling interests			
Equity		(28,166)	(26,829)
Non-current provisions	11	801	817
Non-current financial liabilities	12	24,402	22,546
Other non-current liabilities	13	0	0
Non-current lease obligations	14	1,534	1,679
Deferred taxes		0	0
Non-current liabilities		26,736	25,043
Current provisions	11	224	237
Trade payables		14,350	15,003
Current financial liabilities	12	4,649	7
Current tax liabilities		0	0
Current lease obligations	14	355	333
Other current liabilities	13	4,505	3,946
Current liabilities		24,082	19,527
TOTAL LIABILITIES		**22,653**	**17,740**

CONDENSED STATEMENT OF OVERALL INCOME AT 30 JUNE 2020

	Score	30/06/2020	30/06/2019
Net revenue	15	**807**	**791**
Other operating income		0	0
Total income		**807**	**791**
Cost of sales		(74)	(121)
Marketing expenses		(449)	(551)
Administrative costs		(1,059)	(1,098)
Research and development costs		(6,121)	(9,600)
Other operating expenses		-	-
Operating income		**(6,895)**	**(10,579)**
Financial products		186	42
Financial expenses		(2,083)	(2,476)
Financial income		**(1,897)**	**(2,434)**
Tax charge		(8)	(4)
Net income		**(8,801)**	**(13,016)**
Other comprehensive income items			
Items that will not be subsequently reclassified as income:			
- Actuarial differences		80	(4)
Items likely to be reclassified subsequently as income:			
- Foreign exchange differences - activities abroad		8	(5)
Other comprehensive income items for the period net of tax		**88**	**(9)**
Total comprehensive income for the period		**(8,713)**	**(13,025)**
Net income for the period attributable to:			
- Non-controlling interests		-	-
- Company owners		(8,801)	(13,016)
Total income for the period attributable to:			
- Non-controlling interests		-	-
- Company owners		(8,713)	(13,025)
Net earnings per share - in euros	19	(0.23)	(0.34)
Diluted net earnings per share - in euros	19	(0.23)	(0.34)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	30/06/2020	30/06/2019
Net income	(8,801)	(13,016)
- Elimination of depreciation, amortisation and provisions	524	568
- Elimination of gains/losses on sales	0	0
- Calculated expenses and income related to share-based payments	48	56
- Other income and expenses with no impact on cash flow	1,660	2,236
- Elimination of tax expense / income	0	0
- Elimination of the deferred tax variation	0	0
- Impact of the change in operational working capital requirement	(1,203)	(694)
- Interest income and expenses	72	38
- Cash flow generated by operational activity before tax and interest	**(7,700)**	**(10,812)**
- Taxes paid / received	0	0
Net cash flow generated by operational activity	**(7,700)**	**(10,812)**
Capital acquisitions	(205)	(177)
Sales of tangible and intangible fixed assets	0	0
Acquisitions of financial assets	0	0
Proceeds from the sale of financial assets	0	0
Change in loans and advances granted	33	0
Financial interest received / (paid)	(62)	(39)
Other flows related to investment operations	0	0
Net cash flow from investment operations	**(234)**	**(217)**
Dividends paid		
Capital increase (reduction)	7,329	0
Issue of loans and collection of conditional advances	5,464	2,197
Repayment of loans and conditional advances	(3)	(3)
Other flows related to financing operations	0	0
Net cash flow from financing operations	**12,790**	**2,194**
Impact of currency fluctuations	8	(5)
Impact of assets held for sale	0	0
Impact of changes in accounting principles	0	0
Change in cash flow	**4,863**	**(8,839)**
Cash and cash equivalents opening balance	5,695	11,560
Cash and cash equivalents closing balance	10,559	2,721
Change in cash and cash equivalents through balances	**4,863**	**(8,839)**

CHANGE IN CONDENSED CONSOLIDATED EQUITY AT 30 JUNE 2020

(in thousands of euros)	Share capital	Share premium	Translation Reserve	Other reserves and result	**Total**	Minority interests	**Total equity**
AT 1st JANUARY 2020	**435**	**202,891**	**(72)**	**(230,083)**	**(26,829)**	**0**	**(26,829)**
Net income for the period				(8,801)	(8,801)		(8,801)
Other comprehensive income items			8	80	88		88
Total comprehensive income for the period	**0**	**0**	**8**	**(8,721)**	**(8,713)**		**(8,713)**
Capital increase	*11*	*7,318*			*7,329*		*7,329*
Employee share-based payments				*48*	*48*		*48*
Share-based payments - other		*0*		*0*	*0*		*0*
Total transactions with shareholders	**11**	**7,318**	**0**	**48**	**7,376**		**7,376**
AT 30 JUNE 2020	**446**	**210,209**	**(65)**	**(238,757)**	**(28,166)**	**0**	**(28,166)**

(in thousands of euros)	Share capital	Share premium	Translation Reserve	Other reserves and result	**Total**	Minority interests	**Total equity**
AT 1st JANUARY 2019	**411**	**193,271**	**(63)**	**(208,580)**	**(14,962)**	**0**	**(14,962)**
Net income for the period				(21,747)	(21,747)		(21,747)
Other comprehensive income items			(10)	30	21		21
Total comprehensive income for the period	**0**	**0**	**(10)**	**(21,717)**	**(21,726)**		**(21,726)**
Capital increase	*25*	*9,715*			*9,740*		*9,740*
Employee share-based payments				*119*	*119*		*119*
Share-based payments - other		*(95)*		*95*	*0*		*0*
Total transactions with shareholders	**25**	**9,620**	**0**	**214**	**9,859**		**9,859**
AT 31 DECEMBER 2019	**435**	**202,891**	**(72)**	**(230,083)**	**(26,829)**	**0**	**(26,829)**

NOTES TO THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2020

1 Entity presenting the financial reports

AB Science is a company domiciled in France. The registered office of the Company is located in Paris.

The condensed consolidated financial reports of the Company for the period 1 January 2020 to 30 June 2020 include the Company and its two wholly-owned subsidiaries, one located in the United States and created in July 2008 and the second located in Canada, created in April 2017 and whose activity started in July 2018 (the whole designated as "the Group" and each individually as "the Group entities"). The Group's activity consists of researching, developing and marketing protein kinase inhibitors (PKIs), a new class of targeted therapeutic molecules which act by modifying the signalling pathways within cells. The diseases targeted by the Company with these PKIs are high unmet medical need diseases, in cancers, inflammatory diseases and diseases of the central nervous system, both in human medicine and in veterinary medicine.

2 Basis of preparation

2.1 Declaration of compliance and accounting principles

The condensed consolidated financial statements for the period from 1 January 2020 to 30 June 2020 were prepared in accordance with the IFRS as adopted in the European Union. All the texts adopted by the European Union are available on the European Commission website at the following address: http://ec.europa.eu/internal_market/accounting/ias_fr.htm.
As such, they should be read in conjunction with the group's consolidated financial statements for the fiscal year ended 31 December 2019.

These condensed consolidated financial statements were approved by the Board of Directors on 28 September 2020.

The accounting methods are the same as those used by the Group on 31 December 2019. There have been no new IFRS standards adopted by the European Union applicable from 1 January 2020.
The following texts have no impact on the Group's accounts:
Amendments for "Amendments to References to the Conceptual Framework in IFRS standards", adopted on 29 November 2019;

- Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors": "Definition of materiality", adopted on 29 November 2019;
- Amendments to IFRS 3 "Business combinations": "Definition of an activity", adopted on 21 April 2020;
- Amendments to IFRS 9 "Financial instruments", IAS 39 "Financial instruments: recognition and measurement" and IFRS 7 "Financial instruments: disclosures": "Reform of reference rates", adopted on 15 January 2020. "

As of 30 June 2020, the group held net cash of € 10.6 million (under the headings "Cash and cash equivalents and current financial assets"), as detailed in chapter 9 of the notes to the half-year consolidated financial statements, for current liabilities of € 24 million and current receivables of € 8.6 million, including € 4.1 million in research tax credit and € 1.7 million in 2020 research tax credit.

On the date the accounts were closed, the accounts were closed in application of the continuity of operation principle. "

2.2 Use of estimates and assumptions

The preparation of financial statements requires management to exercise judgment, make estimates and assumptions that have an impact on the application of accounting methods and on the amounts of assets and liabilities, income and expenses. Actual values may be different from estimated values.
As part of the preparation of the condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting methods and the main sources of uncertainty relating to

the estimates are identical to those described in the consolidated financial statements of the fiscal year ended 31 December 2019.

3 Financial risk management

The Group is exposed to the following risks linked to the use of financial instruments:

- Credit risk

Credit risk represents the risk of financial loss for the Group in the event that a client or counterparty to a financial instrument fails to fulfil its contractual obligations. This risk is mainly linked to receivables from customers and investment securities.

On the one hand, the Group has not yet entered an active marketing phase. There are therefore no significant receivables from customers. On the other hand, the Group limits its exposure to credit risk by investing in particular in liquid securities (term deposits). Management is not expecting a counterparty to default.

- Liquidity risk

Liquidity risk is the risk that the Group will experience difficulties settling its debts when they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to settle its liabilities, when they fall due, under normal or “strained” conditions, without incurring unacceptable losses or damaging the Group's reputation.

Generally, the Group ensures that it has a sufficient cash position to meet the operational expenses expected in the short term.

The Group finances its activities by capital increases as and when required for the continuation of research programmes, as well as through grants and subsidies paid by organisations financing Scientific Research in France.

The Group's ability to obtain the necessary financing for the pursuit of its activity therefore remains dependent on the progress of its research programmes and on market conditions.

- Market risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and prices of equity instruments, will affect the Group's earnings or the value of the financial instruments held. The purpose of market risk management is to manage and control market risk exposure within acceptable limits, while optimising the profitability / risk ratio.

- Risk of change

The Group's foreign exchange risk is mitigated by the fact that research and development expenses are generated in the same currencies (USD, Euro) as the main anticipated income flows (territory of the United States and the European Union).

- Rate risk

The group is not significantly exposed to interest rate risk since, to date, it has only limited recourse to financial institutions to finance its activity.

- Capital risk

As part of its capital management, the Company aims to preserve its operating continuity by not exposing its shareholders to an inappropriate dilution risk.

4 Rights of use

The user rights relate to rental contracts and are broken down as follows:

(In thousands of euros)	30.06.2020	31.12.2019
Application IFRS 16	2,355	2,327
Asset entries	0	0
Accumulated depreciation charges	(543)	(348)
Terminations	0	0
TOTAL	1,812	1,979

5 Inventories

Inventories amount to € 151,000 as of 30 June 2020 compared to € 230,000 as of 31 December 2019.

(In TEUR and in net values)	30.06.2020	31.12.2019
Inventories of raw materials and active ingredients	0	0
Inventories of intermediate products	121	204
Inventories of finished products	30	27
Total inventories	151	230

6 Customer and accounts receivables

This item is broken down as follows:

(in thousands of euros)	30.06.2020	31.12.2019
Other client receivables	354	197
Depreciation	0	0
Client receivables - net	354	197

7 Other non-current and current assets

The other non-current and current assets are broken down as follows:

(In thousands of euros)	30.06.2020		31.12.2019	
	Non-current	Current	Non-current	Current
Research Tax Credit (1)	-	5,845	-	4,122
VAT receivables	-	974	-	1,243
Grants receivable (2)	-	0	-	70
Suppliers receivables	-	62	-	199
Other receivables (3)	-	685	-	979
Conditional advances to be received (4)	-	0	-	865
Prepaid expenses	-	492	-	483
TOTAL	0	8,058	0	7,962

(1) The total amount of the receivable from the tax administration as of 30 June 2020 amounts to €5,845,000 and relates to:
- ✓ the research tax credit relating to the first half of 2020: €1,724,000
- ✓ the research tax credit relating to the year 2019: €4,121,000

(2) Grants receivable: Grants receivable are recorded as assets when the conditions set for their payment are substantially met.

(3) Other receivables include, in particular, credits to be received from suppliers and advances made to staff.

(4) As of 31 December 2019, this is the provision of the conditional advance to be received from BPIFrance in the context of a clinical development project for expenses incurred during the fiscal year.

8 Current and non-current financial assets

8.1. Details of financial assets

Non-current and current financial assets are broken down as follows:

(In thousands of euros)	30.06.2020		31.12.2019	
	Non-current financial assets	Current financial assets	Non-current financial assets	Current financial assets
Other	65		67	
TOTAL	65	0	67	0

Non-current financial assets relate to deposits paid as rental guarantees.

8.2. Change in financial assets

As of 30 June 2020:

(In thousands of euros)	01.01.2020	Increases	Decreases	Other	30.06.2020
Other	67	0	2		65
Financial assets	67	0	2	0	65

As of 31 December 2019:

(In thousands of euros)	01.01.2019	Increases	Decreases	Other	31.12.2019
Other	55	15	2		67
Financial assets	55	15	2	0	67

9 Cash and cash equivalents

Net cash at opening:

(In thousands of euros)	01.01.2020	01.01.2019
Liquid assets	5,695	5,559
Term deposits	0	6,000
Cash and cash equivalents on the balance sheet	5,695	11,560
Bank overdrafts	0	0
Cash and cash equivalents in the cash flow table	5,695	11,560

Net cash at closing:

(In thousands of euros)	30.06.2020	31.12.2019
Liquid assets	6,559	5,695
Term deposits	4,000	0
Cash and cash equivalents on the balance sheet	10,559	5,695
Bank overdrafts	0	0
Cash and cash equivalents in the cash flow table	10,559	5,695

As a reminder, only term deposits with a maturity of three months or less from the date of acquisition are included in Cash and cash equivalents. Term deposits with a maturity of more than three months are classified under Financial assets.

10 Share capital

Change to the share capital is as follows:

(in euros)	Number of shares	of which Common shares (category A)	of which Preferred stock convertible into common shares (category B)	of which 2016 Preferred stock (category C)	Nominal value	Share capital
Share capital as of 31 December 2019	44,060,297	43,493,433	41,458	0	0.01	435,348.91
Capital increase following the contribution of a private fund - March 2020	860,220	860,220			0.01	8,602.20
Capital increase following the exercise of BSA - March 2020	224,507	224,507			0.01	2,245.07
Share capital as of 30 June 2020	45,145,024	44,353,653	41,458	0	0.01	446,196.18

These totals are exclusive of share warrants ("BSA"), warrants for business creator shares ("BSPCE") and subscription options granted to certain investors and to certain individuals, in particular employees of the Company.

In March 2020, the capital increased to:

- ✓ 8,602.2 euros following the contribution of a private fund
- ✓ 2,245.07 euros following the exercise of share warrants

In addition, the capital of the AB Science Group, which amounted to 446,196.18 euros as of 30 June 2020, takes into account the reclassification of the amount of the capital increase linked to the issuance of preferred stock as financial liabilities, wrongly recognised as share capital in 2016 (5,254.06 euros).

At the General Meeting of 31 December 2009, double voting rights compared to the other shares, based on the portion of the share capital they represent, were allocated to all fully paid-up shares for which there is proof of a registered entry for at least two years in the name of the same shareholder, it being specified that the starting point of this two-year period cannot be a date prior to 1 April 2010. This right is also conferred upon their issue in the event of a capital increase by incorporation of reserves, profits or issue premiums, to registered shares allocated free of charge to a shareholder at the rate of old shares for which he/she already has this right.

As of 30 June 2020, the capital of the Group AB Science consists of 45,145,024 shares of which 18,062,811 shares have double voting rights.

11 Provisions

The Provisions item is broken down as follows:

	30.06.2020			31.12.2019		
(In thousands of euros)	Non-current	Current	Total	Non-current	Current	Total
Disputes		224	224		237	237
Provision for employee benefits	801		801	817		817
TOTAL	801	224	1,024	817	237	1,054

The provision for disputes amounting to € 224,000 as of 30 June 2020 mainly relates to three labour disputes arising from the termination of employment contracts.

The provision for employee benefits corresponds to the provision for retirement indemnities from which Group employees benefit. No funds have been set up to cover the corresponding commitment.

12 Financial liabilities

12.1. Current / non-current distribution

The distribution between non-current and current financial liabilities is as follows:

(In thousands of euros)	30.06.2020		31.12.19	
	Non-current	Current	Non-current	Current
Conditional advances	10,197	0	10,197	0
Credit line/loan	2	4,647	5	6
Other financial liabilities and financial instruments	14,203		12,345	0
Accrued interest payable		2		1
Financial liabilities	24,402	4,649	22,546	7

The change in current financial liabilities (+ € 4,641,000) mainly relates to the conclusion of a loan for $ 5.1 million in March 2020, repayable no later than December 31, 2020.

Change in non-current financial liabilities

As of 30 June 2020:

(In thousands of euros)	31.12.19	Cash to received	Refunds / waivers	LT/ST reclassification	Effect of discounting	30.06.20
Non-current	10,196					10,196
Current	0					0

As of 31 December 2019

(In thousands of euros)	31.12.18	Cash to received	Refunds / waivers	LT/ST reclassification	Effect of discounting	31.12.19
Non-current	9,331	865				10,196
Current	0					0

12.2. Conditional and repayable advances

Conditional advances received are intended to finance defined research programmes. These advances, whether or not subject to interest, are repayable in the event of the success of the programme which received the aid. In the event of failure, they are reclassified as grants and immediately stated as income.

Schedule for conditional and repayable advances

As of 30 June 2020:

(In thousands of euros)	30.06.20	Less than 1 year	in 2 years	in 3 years	in 4 years	in 5 years	Beyond 5 years (*)

Total advances	10,196						10,196

(*) this presentation is based on a condition set out in paragraph 21

As of 31 December 2019:

(In thousands of euros)	31.12.19	Less than 1 year	in 2 years	in 3 years	in 4 years	in 5 years	Beyond 5 years (*)
Total advances	10,196						10,196

12.3. Other financial liabilities

Bonds issues authorised by the Board of Directors on 24 May 2013 as per a delegation given by the General Meeting of 30 March 2012, subscribed and paid up at the beginning of June 2013, with a nominal value of 12.3 million euros, were converted in December 2016 into preferred stock (525,406 category C preferred stock) and into different categories of BSA. These preferred stock and BSA are considered to be debt instruments and are thus recognised as financial liabilities.

These instruments are valued at fair value on each balance sheet date, the change in fair value being recognised in financial income.
As mentioned in paragraph 3 of this half-year report, an agreement consisting of the revision of the terms and conditions of the 525,406 category C preferred stock in order to allow the conversion of these category C preferred stock during several tranches, until the month of December 2021 was entered into in the summer of 2020 between AB Science and the holders of the category C preferred stock. An extraordinary General Meeting will be convened during the month of December 2020 in order to ratify and implement said agreement.

The Capitalised BSAs were to be exercised by their holders between 1 June 2020 and 30 June 2020 based on a conversion ratio calculated on the basis of the volume-weighted average of the AB Science share price for the month of May 2020. The holders of Capitalised BSAs have notified AB Science of the exercise of said Capitalised BSAs. Based on the terms and conditions, the exercise of all of the Capitalised BSAs gave rise to the issue of 233,266 common shares in return for the payment, by the holders of the Capitalised BSAs, of an overall exercise price of 2,332.66 euros.

As of 30 June 2020, their fair value is 14 million euros. The change in fair value recognised in financial income amounts to €1,859,000.

13 Other non-current and current liabilities

The other non-current and current liabilities are broken down as follows:

(In thousands of euros)	30.06.20		31.12.19	
	Non-current	Current	Non-current	Current
Social debts	-	3,996	-	3,365
Tax debts	-	404	-	506
Other liabilities	-	105	-	74
TOTAL	-	4,505	-	3,946

Social debts include in particular the provisions for paid vacation and the corresponding social charges, bonuses to employees as well as contributions due to the various social organisations.

14 Lease obligations

Lease obligations relate to the application of IFRS 16 and are broken down as follows:

(In thousands of euros)	30.06.2020		31.12.2019	
	Non-current	Current	Non-current	Current
Lease obligations	1,534	355	1,679	333
TOTAL	1,534	355	1,679	333

15 Turnover

The turnover of the Company, linked to the commercial exploitation of masitinib in veterinary medicine, amounts to € 807,000.

16 Public subsidies and funding

The Company receives aid from the French State, the European Union and French local public authorities in several forms:

- Conditional advances repayable under certain conditions,
- Operating subsidies, and
- Research tax credits.

16.1. Conditional subsidies and funding

Conditional advances are listed in Note 12.2 Financial liabilities.

16.2. Research tax credit

The Company benefits from the provisions of the General Tax Code relating to research tax credits. The research tax credit is listed as a deduction from eligible research expenses during the year to which these expenses relate.

The following table shows changes in the research tax credit listed under income:

(In thousands of euros)	30.06.20	30.06.19
Research Tax Credit 2020	1,724	
Research Tax Credit 2019		2,496
TOTAL	1,724	2,496

17 Personnel expenses

17.1. Workforce

The Group employs 93 people (including 2 in the American subsidiary and 1 in the Canadian subsidiary, people dedicated to clinical research) as of 30 June 2020 compared to 109 people as of 30 June 2019.

The workforce is broken down as follows:

	30.06.2020	30.06.2019
Sales Department	4	6
Drug Discovery and Clinical Department	81	93
Leadership & Management Department	8	10
TOTAL	93	109

17.2. Personnel expenses

Personnel expenses listed in the income statement cover the items indicated below:

(In thousands of euros)	30.06.2020	30.06.2019
Wages and salaries	3,172	3,885
Social security contributions	1,112	1,354
Share-based payments	48	56
Personnel expenses	4,332	5,295

These expenses are broken down in the income statement as follows:

(In thousands of euros)	30.06.2020	30.06.2019
Marketing expenses	147	229
Administrative costs	427	489
Research and development costs	3,758	4,577
Personnel expenses	4,332	5,295

The Company put in place a profit-sharing agreement in December 2008 which does not to date give rise to any payment to employees due to the existence of a tax deficit.

18 Share-based payments

The accounting expense for the first half of 2020 related to all share-based payments is broken down as follows:

(In thousands of euros)	30.06.2020	30.06.2019
Stock option plans	3	8
BSPCE and BSA plans	10	10
AGAP plan	36	38
Total	48	56

18.1. Share subscription option plans

The table below shows the main characteristics of the plans being acquired:

	PLANS							
	SO6C	SO6D	SO6E	SO7A	SO9A	SO2019A	SO2019B	SO2020A
Board of Directors allocation date	24/04/2015	06/10/2015	28/04/2016	30/04/2018	06/12/2018	20/05/2019	10/07/2019	17/02/2020
Vesting date	24/04/2019	06/10/2019	28/04/2020	30/04/2022	06/12/2022	31/07/2019	31/07/2019	17/02/2024
Plan maturity	23/04/2025	05/10/2025	27/04/2026	30/04/2028	06/12/2028	31/10/2022	31/10/2022	16/02/2030
Number of allotted options	79940	15550	110640	53000	25120	274000	59000	65000
Options / shares ratio (nominal value € 0.01)	1	1	1	1	1	1	1	1
Exercise price *(in euros)*	15.8	13.01	17.29	12.65	12	12	12	12.65
Performance conditions	N/A	N/A	N/A	N/A	N/A	Yes	Yes	N/A

Valuation of plans:

(in thousands of euros)	SO6C	SO6D	SO6E	SO7A	SO9A	SO2019A	SO2019B	SO2020A	TOTAL
Initial valuation	25.5	3.6	28.1	1.3	0.4	11.0	2.4	2.5	
Accounting expense 30 June 2020			2.3	0.2	0.0	0.0	0.0	0.2	**2.7**
Accounting expense 30 June 2019	2.0	0.4	3.5	0.2	0.1	1.6			**7.7**

Main assumptions	SO6C	SO6D	SO6E	SO7A	SO9A	SO2019A	SO2019B	SO2020A
Value of the underlying	€15.80	€12.09	€19.21	€4.92	€3.73	€5.17	€5.17	€8.22
Exercise price	€15.80	€13.01	€17.29	€12.65	€12.00	€12.00	€12.00	€12.65
Expected volatility	35.00%	35.00%	35.00%	60.00%	60.00%	50.00%	50.00%	50.00%
Average option life (*in years*)	7	7	7	7	7	7	7	7
Turnover	33.7%	33.7%	38.3%	46.2%	46.1%	N/A	N/A	N/A
Discount rate	-0.1%	0.0%	-0.2%	-0.1%	-0.3%	0.00%	0.00%	-0.31%
Fair value option*	**€5.65**	**€4.07**	**€7.44**	**€1.82**	**€1.20**	**€0.04**	**€0.04**	**€3.13**

18.2. Warrants for business creator shares Plan

Plan characteristics

	PLANS AFTER 07/11/2002 OR VESTING AFTER 01/01/2007								
	BCE2007-A	**BCE2007-B**	**BCE2008-A**	**BCE2008-B**	**BCE2008-C**	**BCE2008-D**	**BCE2010-A**	**BCE2012**	**BCE2013**
Board of Directors allocation date	17/06/2008	16/12/2008	13/01/2009	13/01/2009	19/11/2009	03/02/2010	03/02/2010	30/08/2012	22/04/2013
Number of allotted options	1191	379	321	330 (max.)	185	15	72588	3158636	40554
Options / shares ratio (nominal value €0.01)	1000	1000	1000	1000	1000	1000	1	1	1
Vesting conditions: *Performance conditions*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*
Plan maturity	31/12/2027	31/12/2027	31/12/2027	31/12/2027	31/12/2027	31/12/2027	31/12/2027	31/12/2027	31/12/2027
Exercise price *(in euros)*	7680.00	7680.00	7680.00	7680.00	7680.00	12280.00	12.28	12.50	18.74

Warrants for business creator shares Plans

Plan characteristics of BCE2007A to BCE2010A:

The exercise conditions for plans BCE2007A to BCE2010A have been met. These warrants can be exercised until 31 December 2027.

Plan characteristics of BCE2012 and BCE2013:

- The beneficiaries' right to exercise these BCEs is conditional on the fulfilment of the following conditions: For each beneficiary, the exercise of 50% of the BCEs is conditional on the achievement of operational objectives, and the exercise of 50% of the BCEs is conditional on the achievement of turnover targets, defined as follows:
  i. The exercise of 5% of the BCEs is conditional on the initiation of a confirmatory clinical study, marked by the inclusion of the first patient; the number of BCEs made exercisable under the initiation of confirmatory clinical studies may not exceed 12.5% of the BCEs (i.e. 2 confirmatory studies each giving the right to exercise 5% of BCEs and a third confirmatory study giving the right to exercise 2.5% of the BCEs).
  ii. The exercise of 10% of the BCEs is conditional on obtaining a conditional registration or obtaining a temporary authorisation for cohort use, it being specified that:
    - if the conditional registration or the obtaining of a temporary authorisation for cohort use follows the performance of a confirmatory study, then the number of BCEs thus made exercisable is deducted from the number of BCEs made exercisable due to the start of the confirmatory study (no cumulative effect of the two objectives);
    - the number of BCEs that become exercisable under these conditional registrations or temporary authorisations for cohort use may not exceed 25% of the BCEs (i.e. 2 conditional registrations or cohort ATUs each giving the right to exercise 10% of the BCEs and a third conditional registration or cohort ATU giving the right to exercise 5% of the BCEs).
  iii. The exercise of 20% of the BCEs is conditional on obtaining a marketing authorisation, it being specified that:
    - if the marketing authorisation follows a confirmatory study and/or a conditional registration/obtaining a temporary authorisation for cohort use, then the number of BCEs thus made exercisable is deducted from the number of BCEs made exercisable by virtue of the start of the confirmatory study and/or conditional registration/obtaining a temporary authorisation for cohort use (non-cumulation of the three objectives);
    - the number of BCEs that become exercisable under these marketing authorisations may not exceed 50% of the BCEs (i.e. 2 registrations each giving the right to exercise 20% of the BCEs and a third registration giving the right to exercise 10% of the BCEs).
  iv. The exercise of 12.5% of the BCEs is conditional on the first production of masitinib at a level amounting to a net annual turnover of one hundred million euros.
  v. The exercise of 12.5% of the BCEs is conditional on the first production of masitinib at a level amounting to a net annual turnover of two hundred and fifty million euros.
  vi. The exercise of 12.5% of the BCEs is conditional on the first production of masitinib at a level amounting to a net annual turnover of five hundred million euros.
  vii. The exercise of 12.5% of the BCEs is conditional on the first production of masitinib at a level amounting to a net annual turnover of one billion euros.

Valuation of plans

In accordance with the principles set out in note 3, the plans granted after 7 November 2002 and whose rights were not acquired on 1 January 2007 were valued as follows:

(in thousands of euros)	**BCE2007A**	**BCE2007B**	**BCE3A**	**BCE3B**	**BCE2008A**	**BCE2008B**	**BCE2008C**	**BCE2008-D**	**BCE2010-A**	**BCE2012**	**BCE2013**	**Total**
Initial valuation	900.7	220.9	84.4	88.3	191.4	105.4	95.2	17.4	122.8	189.5	2.4	2,018.3
Accounting expense 30 June 2019										9.5	0.1	9.6
Accounting expense 30 June 2018										9.5	0.1	9.6

Main assumptions	BCE2007A	BCE2007B	BCE3A	BCE3B	BCE2008A	BCE2008B	BCE2008C	BCE2008-D	BCE2010-A	BCE2012	BCE2013
Value of the underlying	€4,992.00	€4,992.00	€1,495.49	€1,495.49	€4,992.00	€4,992.00	€4,992.00	€9,824.00	€9.82	€10.44	€19.00
Exercise price	€7,680.00	€7,680.00	€2,300.75	€2,300.75	€7,680.00	€7,680.00	€7,680.00	€12,280.00	€12.28	€12.50	€18.74
Expected volatility	32.27%	32.27%	32.27%	32.27%	32.27%	32.27%	32.27%	35.00%	35.00%	30.00%	30.00%
Average option life (*in years*)	3.6	3	5.7	6.0	3.3	3.3	3.1	3.0	3.0	5.5	5.5
Turnover	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average discount rate	4.7%	2.1%	3.2%	3.2%	2.5%	2.5%	2.5%	2.5%	2.5%	0.5%	0.5%
Average fair value of an option	**756.28**	**582.80**	**331.42**	**346.86**	**€596.20**	**€596.86**	**€542.56**	**€1,735.22**	**€1.69**	**€0.06**	**€0.06**

18.3. Free preferred stock plan

Plan characteristics:

	AGAP B1 and B2	AGAP B3
Board of Directors allocation date	16/12/2015	28/12/2017
Number of authorised options	33,999	7,550
Number of allotted options by the Board of Directors on 19 December 2016	33,751	
Number of allotted options by the Board of Directors on 28 December 2017	180	
Number of allotted options by the Board of Directors on 23 January 2019		7,527
Options / shares ratio (nominal value €0.01)	1	1
Vesting conditions: *Presence and performance conditions*	 *Yes*	 *Yes*
Plan maturity	31/12/2024	31/12/2024
Exercise price *(in euros)*	0	0

Conditions in Resolution 2 of the GM of 15.12.2017:

(A) If a phase III study is successful, excluding mastocytosis and amyotrophic lateral sclerosis, the percentage of preferred stock that can be converted into common shares will be 53%

(B) If two phase III studies are successful, excluding mastocytosis and amyotrophic lateral sclerosis, the percentage of preferred stock that can be converted into common shares will be 83%

(C) If three phase III studies are successful, excluding mastocytosis and amyotrophic lateral sclerosis, the percentage of preferred stock that can be converted into common shares will be 100%

The objectives must be achieved before 31 December 2024.

The conversion ratio of the free preferred stock into common shares will be determined by the AB Science share price:

The term “purchase price” means €11.24 for the AGAP B1, €8.62 for the AGAP B2 and €3.64 for the AGAP B3, corresponding to the average closing price of the AB Science stock during the 20 trading days preceding the vesting date, i.e. the start of the securities retention period (one year after the allocation of the free preferred stock)

The term "final price" refers to the highest average price of AB Science stock over 60 trading days during the retention period, i.e. during the vesting period until 31 December 2024.

(D) If the final price is strictly lower than the purchase price increased by 5 euros, the conversion ratio will be equal to zero, which means that no free preferred stock can be converted even if the conditions related to the clinical studies are fulfilled.

(E) If the final price is strictly equal or higher than the purchase price increased by 20 euros, the conversion ratio will be equal to 100%, which means that each free preferred stock can be converted into 100 common shares if the conditions related to the clinical studies are fulfilled

(F) If the final price is (i) higher than the purchase price increased by 5 euros and (ii) the value is lower than the purchase price increased by 20 euros, the conversion ratio will be equal to: [(final price – purchase price - 5) / 15] × 100.

Plan valuation:

(in thousands of euros)	AGAP B1 and B2	AGAP B3	Total
Initial valuation	744.5	207.6	952.1
Accounting expense 30 June 2020	20.9	14.8	35.8
Accounting expense 30 June 2019	23.6	14.8	38.4

19 Earnings per share

19.1. Basic earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to holders of common shares by the weighted average number of common shares outstanding during the year.

	30.06.2020	30.06.2019
Net income (in thousands of euros)	(8,801)	(13,016)
Weighted average number of shares in circulation during the year	38,863,395	37,804,657
Earnings per share	(0.23)	(0.34)

19.2. Diluted earnings per share

Diluted earnings per share are calculated by dividing the earnings attributable to holders of common shares by the weighted average number of common shares in circulation, adjusted for the dilutive effect of all potential common shares.

Instruments giving rights to capital on a deferred basis (BSA, SO or BSPCE) are considered anti-dilutive because they lead to an increase in earnings per share from continuing operations. Thus, diluted earnings per share are identical to basic earnings per share.

20 Related parties

Operations with top executives:

Remuneration of the top executives and corporate officers of the company:

Mr Alain Moussy, President and CEO, benefits, under his employment contract, from remuneration approved by the Board of Directors. He has also benefited from the allocation of BSPCE and AGAP, described above.
In addition, Alain Moussy has 332,000 BSAs allotted in 2016 and subscribed in January 2017 and 1,617,614 BSAR allotted in 2014 and subscribed in 2015.

Members of the Board of Directors other than the Chairman do not receive any compensation (attendance fees) and no special benefits except for BSAs granted.

The remuneration presented below, paid to the President and CEO under his employment contract, was listed as an expense during the periods presented:

(In thousands of euros)	30.06.2020	30.06.2019
Short-term benefits	134	143
Share-based payments	32	34
Total	166	177

Transactions with top executives and directors:

Some directors have shareholders' current accounts, set up exclusively for the interest paid on the convertible bond issued during the 2004 financial year, and having been converted into preferred stock during the same 2004 financial year.

- With Mr Alain Moussy:

An agreement for the provision of premises by Mr Alain Moussy for the benefit of the Company has been signed.

The Board of Directors on 3 February 2010 authorised its Chairman to enter into an agreement for the provision of premises between the Company and Mr Alain Moussy, under the terms of which, Mr. Alain Moussy makes available to the Company:

- a 57 m2 room for office use on the 2nd floor on the right, attached to a building located at 3, avenue George V in Paris 8th,
- at the annual price, rental charges included, of 20,925 euros in 2019.

The agreement was concluded for a period of one year renewable by tacit agreement for a period of twelve months. Mr Alain Moussy does not receive any security deposit and any form of remuneration in return for entering into this agreement.

- With the company KPLM of which Mr Jean-Pierre Kinet is the managing director:

A consulting contract between the company AB Science and the company KPLM of which Mr Jean-Pierre Kinet is the managing director has been signed. Mr Jean-Pierre Kinet is also a director of AB Science.

The Board of Directors on 19 December 2016 authorised its Chairman to enter into an agreement for consulting services between AB Science and KPLM, of which Mr Jean-Pierre Kinet is the managing director.
For the first half of 2019, 8,580 euros excluding tax were invoiced by the company KPLM to the company AB Science.

21 Off-balance sheet commitments

Off-balance sheet commitments are as follows:

(in thousands of euros)	30.06.2020	30.06.2019
Commitments given:	40	40
Guarantee given (1)	*40*	*40*
Commitments received:	0	935
BPIFrance:		
Grants receivable (2)	*0*	*70*
Conditional advances to be received (2)	*0*	*865*

(1) Pursuant to the new Paris office rental agreement, a €39,600 bank guarantee was given to property company SCI Bizet in 2016.

(2) The amounts represent the commitments received from BPIFrance after deduction of payments received at closing, excluding provisions for the ROMANE project, the repayment terms are as follows:
The reimbursement of the advance reimbursable by AB Science, payable only in the event of the success of the project marked by the registration of masitinib in an indication in neurology, includes:

- ✓ reimbursement of €6,600,000 over four years from the third year of marketing of masitinib
- ✓ then over the following three years the payment of interest of 1% of turnover up to a limit of €7 million.

22 Events subsequent to closing

Presentation of the positive results of the phase 2B/3 AB07002 study in progressive forms of multiple sclerosis at the 8th joint ACTRIMS-ECTRIMS meeting

The positive results of the phase 2B/3 AB07002 study in primary progressive multiple sclerosis (PPMS) and non-active secondarily progressive multiple sclerosis (nSPMS) were presented at the 8th joint meeting of the Americas Committee for Treatment and Research in Multiple Sclerosis (ACTRIMS) and the European Committee for Treatment and Research in Multiple Sclerosis (ECTRIMS), which took place from 11 to 13 September 2020.

The joint ECTRIMS-ACTRIMS meeting is the world's largest international conference devoted to basic and clinical research in multiple sclerosis. This meeting regularly brings together up to 10,000 participants from all over the world and attracts thought leaders and decision-makers in the field of multiple sclerosis research and health policy.

Due to the current COVID-19 pandemic, the joint ACTRIMS-ECTRIMS 2020 meeting was held this year in a virtual format - MSVirtual2020.

Presentation of the positive results of the phase 2B/3 AB07015 study in severe asthma not controlled by oral corticosteroids at the 30th Annual International Congress of the European Respiratory Society

The positive results of the phase 2/3 AB07015 study in severe asthma not controlled by oral corticosteroids were presented at the 30th Annual International Congress of the European Respiratory Society (ERS) which took place from 7 to 9 September 2020. The purpose of the ALERT session is to present the results of important clinical studies and review the most innovative randomised clinical trial (RCT) submissions.

The Annual International Congress of the European Respiratory Society (ERS) is the largest meeting in the respiratory field, which in previous years has hosted over 20,000 delegates from around the world and is recognised as a showcase of excellence throughout the field of respiratory medicine. The 30th anniversary of the ERS Congress is an innovative and interactive virtual event.

Publication of the results of a preclinical study with masitinib in COVID-19

Research conducted by scientists at the University of Chicago was published on the bioRxiv pre-printing service in an article titled “Drug repurposing screen identifies masitinib as a 3CLpro inhibitor that blocks replication of SARS-CoV-2 in vitro”.

This article reports the results of an independent study conducted by Professor Savas Tay of the Pritzker School for Molecular Engineering (University of Chicago, USA). From a library of 1,900 clinically used drugs, either approved for human use or at an advanced stage of clinical development, masitinib has distinguished itself by its ability to completely inhibit the activity of the major protease SARS-CoV-2 (3CLpro), thereby blocking viral replication. Remarkably, the research team unravelled the mechanism of action of masitinib against SARS-CoV-2, showing that masitinib inhibits the 3CLpro protease, a SARS-CoV-2 protease which is crucial in infection. and virus reproduction, by binding directly to the catalytic site of the protease.

Renegotiation of the terms and conditions of the category C preferred stock

The terms and conditions of the 525,406 category C preferred stock, issued in December 2016 upon conversion of bonds, are detailed in the articles of AB Science. In accordance with these terms and conditions, the 525,406 category C preferred stock were to be converted, on 1 September 2020, into a number of common shares equal to the result of the following formula: [12,362,768 / 9.17] – 9.17 euros corresponding to the volume-weighted average of the AB Science share price between June 1 and June 30, 2020.

Since AB Science does not have the reserves, profits and premiums necessary to issue, on 1 September 2020, common shares upon conversion of category C preferred stock, discussions have been held between

AB Science and the holders of category C preferred stock during the summer of 2020. These discussions resulted in an agreement consisting in the revision of the terms and conditions of the category C preferred stock in order to allow the conversion of these category C preferred stock in several tranches, until December 2021. For each of the tranches, the number of common shares to be issued upon conversion of the category C preferred stock will be calculated on the basis of the highest value between (i) the volume-weighted average of the AB Science share price for the previous month and (ii) the volume-weighted average of the AB Science share price for the previous three months.

In accordance with this agreement, AB Science has undertaken to issue, for the benefit of the holders of class C preferred stock, 30,000 share warrants giving the right to subscribe until the end of 2030, to 30,000 common shares in return for the payment of an exercise price of 12.65 euros per common share.

An Extraordinary General Meeting will be convened during the month of December 2020 in order to ratify and implement the agreement concluded between AB Science and the holders of category C preferred stock during the summer of 2020.

The terms and conditions of other transferable securities issued in December 2016 for the benefit of holders of category C preferred stock (i.e. so-called "*Nominal*" share warrants, so-called "*Conversion*" share warrants and so-called "*Capitalised"* share warrants) are not subject to any revision.

Issue and subscription of 6 million category D3 preferred stock

The combined General Meeting of shareholders of 31 August 2020 decided, under the terms of its eighteenth resolution, to amend the articles of association of AB Science in order to introduce the terms and conditions of the category D3 preferred stock. Pursuant to its twenty-first resolution, the combined General Meeting of shareholders of 31 August 2020 delegated its authority to the Board of Directors with a view to issuing a maximum of 6 million category D3 preferred stock for the benefit of the category of "*corporate officers or employees of the Company*".

On 1 September 2020, the Board of Directors met and decided, upon delegation of the twenty-first resolution of the combined General Meeting of 31 August 2020, to issue 5.8 million category D3 preferred stock for the benefit of Alain Moussy and 200,000 category D3 preferred stock for the benefit of Laurent Guy, Alain Moussy and Laurent Guy falling within the scope of the category of persons defined by the combined General Meeting of shareholders of 31 August 2020 under its twenty-first resolution. In accordance with the calculation formula established by first rank valuers and adopted under the twenty-first resolution of the combined General Meeting of shareholders of 31 August 2020, and taking into account the volume-weighted average of AB Science's share price over the twenty trading sessions preceding the date of the Board of Directors' meeting of 1 September 2020, which stood at 8.79 euros, the subscription price of all 6.0 million D3 shares was set at 241,231 euros.

In accordance with their terms and conditions which are listed in the articles of association of AB Science, the class D3 preferred stock will not confer any voting rights or any financial rights on holders until AB Science has obtained two marketing authorisations (from the *European Medicines Agency* or the *US Food and Drug Administration*) for one or more of its drug candidates in two different indications, these two marketing authorisations to be obtained no later than 31 December 2030. In addition, in the event of a public and/or exchange offer for AB Science, the Board of Directors will have the option of deciding on the conversion of all D3 category preferred stock in circulation into common shares based on a 1:1 conversion ratio.

No other post-closing event that may have an impact on the group's financial position has occurred since the closing.

D. STATUTORY AUDITORS 'REPORT ON THE EXAMINATION OF THE CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2020

AB SCIENCE S.A.

Head office: 3, avenue George V– 75008 PARIS

Rapport des commissaires aux comptes sur l'information financière semestrielle 2020

Période du 1er janvier 2020 au 30 juin 2020

Mesdames, Messieurs les Actionnaires,

En exécution de la mission qui nous a été confiée par votre Assemblée générale et en application de l'article L.451-1-2 III du Code monétaire et financier, nous avons procédé à :

- l'examen limité des comptes semestriels consolidés condensés de la société AB Science S.A., relatifs à la période du 1er janvier 2020 au 30 juin 2020, tels qu'ils sont joints au présent rapport ;

- la vérification des informations données dans le rapport semestriel d'activité.

Ces comptes semestriels consolidés condensés ont été établis le 28 septembre 2020 sous la responsabilité du conseil d'administration sur la base des éléments disponibles à cette date dans un contexte évolutif de crise liée au Covid-19 et de difficultés à appréhender ses incidences et les perspectives d'avenir. Il nous appartient, sur la base de notre examen limité, d'exprimer notre conclusion sur ces comptes.

I – Conclusion sur les comptes

Nous avons effectué notre examen limité selon les normes d'exercice professionnel applicables en France. Un examen limité consiste essentiellement à s'entretenir avec les membres de la direction en charge des aspects comptables et financiers et à mettre en œuvre des procédures analytiques. Ces travaux sont moins étendus que ceux requis pour un audit effectué selon les normes d'exercice professionnel applicables en France. En conséquence, l'assurance que les comptes, pris dans leur ensemble, ne comportent pas d'anomalies significatives obtenue dans le cadre d'un examen limité est une assurance modérée, moins élevée que celle obtenue dans le cadre d'un audit.

Sur la base de notre examen limité, nous n'avons pas relevé d'anomalies significatives de nature à remettre en cause la conformité des comptes semestriels consolidés condensés avec la norme IAS 34 - norme du référentiel IFRS tel qu'adopté dans l'Union européenne relative à l'information financière intermédiaire.

II – Vérification spécifique

Nous avons également procédé à la vérification des informations données dans le rapport semestriel d'activité du conseil d'administration, établi le 28 septembre 2020, commentant les comptes semestriels

consolidés condensés sur lesquels a porté notre examen limité. Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes semestriels consolidés condensés.

Paris La Défense, le 30 septembre 2020

KPMG Audit
Département de KPMG S.A.

Laurent Genin
Associé

Paris, le 30 septembre 2020

Audit et Conseil Union

Jean-Marc Fleury
Associé