AB Science
Private Limited Company with capital of 451,450.24 euros
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Paris Trade and Companies Register438 479 941

ANNUAL FINANCIAL REPORT
OF THE AB SCIENCE GROUP
FOR THE YEAR ENDING 31 DECEMBER 2019

CONTENTS

MANAGEMENT REPORT 2019

1. INFORMATION REGARDING THE COMPANY, ITS HISTORY AND FIELD OF BUSINESS

1.1. Information regarding the company

AB Science is a public limited company with a Board of Directors governed by French law, in particular by the provisions of the Commercial Code and was incorporated on 11 July 2001 for a period of 99 years, unless otherwise extended or previously dissolved.

Its head office is located at 3, avenue George V - 75008 Paris. Its principal place of business is located at 3, avenue George V - 75008 Paris, and the telephone number of its principal place of business is +33 (0) 1 4720 0014.

1.2. Company's activity

AB Science is a pharmaceutical company specialising in the research, development, and marketing of protein kinase inhibitors (PKIs), a class of targeted therapeutic molecules that work by modifying signalling pathways within cells.

The diseases targeted by the Company with these PKIs are high medical need diseases, in cancers, inflammatory diseases and diseases of the central nervous system, both in human medicine and in veterinary medicine.

The Company owns a large portfolio of molecules. This portfolio of molecules is based on several patents for separate chemical structures, notably granted in Europe and the United States. The main focus molecule at AB Science is masitinib.

1.3. Company History

Founded in July 2001, AB Science is a pharmaceutical company based in Paris whose total workforce is composed, as of the date of this annual financial report, of 123 people including four in the United States and one in Canada. AB Science's business is based on the research, development and marketing of tyrosine kinase inhibitors. These are a class of therapeutic molecules used in the treatment of cancers, inflammatory diseases and diseases of the central nervous system.

AB Science has raised €216 million since it was formed, mainly from private investors. On 21 April 2010, AB Science was listed on Euronext, Compartment B.

One of AB Science's strengths is its ability to bring together researchers who are among the best in each of the scientific disciplines involved in its research. This team brings together recognised experts in both chemistry and biology linked to tyrosine kinase inhibitors, oncology and the skills required in clinical development, pharmaceutical development and management.

Since its creation, AB Science has focused its research and development activities on optimisation programmes for new molecules as well as the continuation of the masitinib development programme. AB Science has constantly continued to strengthen its development teams in order to effectively manage its clinical studies internally.

In veterinary medicine, AB Science has marketed Masivet® for dog cancer (dog mast cell tumor) since 2009 in Europe. In human medicine, Masitinib is developed in phase 3, involving two cancers (pancreatic and prostate cancer), two inflammatory diseases (indolent systemic mastocytosis, severe asthma) and three neurodegenerative diseases (amyotrophic lateral sclerosis, Alzheimer's disease, progressive MS).

AB Science fully owns:

- since 2008, a subsidiary in the United Sates, AB Science USA LLC, with four employees. AB Science USA LLC is responsible for monitoring clinical studies in the United States.
- since 2018, a subsidiary in Canada, AB Science Canada, with one employee. AB Science Canada is responsible for coordinating clinical research in Canada.

2. 2019 HIGHLIGHTS

Clinical studies

- Lifting of the ANSM clinical hold

The French National Agency for the Safety of Medicines and Health Products (ANSM) lifted its decision to suspend clinical studies promoted by AB Science in France on 28 May 2019.

As a reminder, the ANSM decision to suspend clinical studies was made on 11 May 2017.

The decision to lift the suspension was based on:

- On the one hand, a deep restructuring of the company initiated after the ANSM's suspension decision in May 2017. This restructuring focused on the organisation of clinical development, starting with the pharmacovigilance department, the implementation of a new quality management system, new IT tools, and a re-evaluation of all the tolerance data of masitinib under this new system.
- On the other hand, an ANSM inspection that checked whether the conditions for lifting the decision to suspend clinical studies were met.

- Positive results in severe asthma

AB Science reported positive results of a first phase 2/3 study with masitinib in severe asthma. The Phase 3 trial (AB07015) was a prospective, multicenter, randomised, double-blind, placebo-controlled, 2-parallel groups, Phase 3 study to compare the efficacy and the safety of masitinib at 6 mg/kg/day versus placebo in the treatment of patients with severe persistent asthma uncontrolled by oral corticosteroids. The study enrolled 355 assessable patients.

The pre specified primary endpoint of the protocol was the severe asthma exacerbation rate (i.e. the number of severe asthma exacerbations divided by the time under treatment for the overall protocol period). This overall protocol period consisted of the main protocol period (from baseline to week 36 time point) together with the extension period (after the week 36, patients could continue treatment in their original treatment arm without unblinding). This overall protocol period was well balanced between the two treatment arms.

Study AB07015 demonstrated efficacy in a difficult to treat population, with 100% of patients receiving high dose (OCS) maintenance therapy, but not required to have high blood eosinophil levels. Results demonstrating masitinib's reduction of severe asthma exacerbations were consistent and robust.

- The pre-specified primary analysis was conducted in the severe asthma population with daily OCS $\geq$ 7.5 mg and masitinib treatment was associated with a significant reduction in severe asthma exacerbations. This positive primary analysis detected a 35% statistically significant reduction (p=0.0103) in severe exacerbation rate between masitinib and placebo. The study also demonstrated a significant treatment effect in the Intent-To-Treat (ITT) population, which included (non-severe) patients with OCS < 7.5 mg (-33%, p=0.0156).
- There was a center effect, with greater efficacy noted in the EU countries (-51% reduction in severe asthma exacerbations, p=0.0038).
- The pre-specified analysis in the population of patients with severe asthma with high eosinophil counts ($\geq$ 150 cells/µL) also demonstrated a statistically significant reduction in rate of severe asthma exacerbations (-38%, p=0.0156).

The masitinib safety profile was acceptable based on available data. The occurrence of adverse events (AEs) and serious adverse events (SAEs) was comparable between masitinib and placebo.

Masitinib is uniquely positioned in severe asthma with respect to administration (oral administration), mechanism of action, an identified target population, concomitant use of OCS, and eosinophil counts in the studied population.

A second Phase 3 trial (AB14001) is on-going with masitinib in asthma. It is a prospective, multicenter, randomised, double-blind, placebo-controlled, 2-parallel groups, Phase 3 study evaluating the efficacy and safety of masitinib in asthma uncontrolled by high-dose inhaled corticosteroids and with elevated eosinophil level. The primary endpoint of this study is the rate of severe asthma exacerbations over the treatment period.

- Results of the interim analysis in pancreatic cancer

The AB12005 study is an international confirmatory, randomised, placebo-controlled, phase 3 study in patients with locally advanced or metastatic non-operable pancreatic cancer, as first-line treatment and having pain on inclusion or taking opioids. The study compares the efficacy and safety of masitinib in combination with gemcitabine compared to a placebo in combination with gemcitabine.

The main endpoint of the study is overall survival (OS). The efficacy evaluation is planned in the overall study population and in the predefined subgroup of patients with non-operable locally advanced tumours and cancer-related pain. The distinction between locally advanced or metastatic inoperable status was a stratification factor, thereby ensuring that treatment groups were not biased for this known prognostic factor.

The study planned to include 330 patients. The study recruitment has been completed.

In June 2019, the Independent Data Monitoring Committee (IDMC) recommended that the study be continued on the basis of the interim analysis.

An interim analysis by IDMC was scheduled after 50% of the events (in this case, the patient's death) had been reached. The interim analysis tests futility and conditional power greater than 80% (i.e. the probability of success). The protocol defines in a forward-looking manner the following scenarios based on the results of the interim analysis: a) stopping the study in the event of futility; b) continuation of the study if the conditional power test greater than 80% is positive, with or without an increase in the size of the patient sample; c) intermediate situation between the two aforementioned scenarios. It is scenario (b) that makes the interim analysis decisive for the continuation of the study.

In the predefined subgroup of patients with locally advanced non-operable tumours, the IDMC recommended continuing the study without modifying the sample size, which corresponds to scenario (b). In the overall population, the interim data correspond to scenario (a) or (c). The IDMC decided that it was not necessary to distinguish between these two scenarios, since the recruitment had been completed at the time of the interim analysis. The IDMC did not recommend a discontinuation of treatment for these patients.

According to the rules defined for the interim analysis, this IDMC recommendation means that the probability of success of the study is greater than 80% in the selected sub-population, assuming that patients recruited after the interim analysis generate the same data as those analysed for the interim analysis.

- Results of the interim analysis in Alzheimer’s disease

The AB09004 study is an international, randomised, placebo-controlled phase 3 study evaluating masitinib in patients with Alzheimer's disease in its mild or moderate form.

The study compares the efficacy and tolerance of masitinib given in addition to a cholinesterase inhibitor (donepezil, rivastigmine or galantamine) and/or memantine compared to a placebo given in addition to a cholinesterase inhibitor and/or memantine.

Two doses of masitinib are evaluated, a dose of masitinib at 4.5 mg/kg/day and a gradual increase from 4.5 to 6 mg/kg/day, each dose having its own control arm.

The primary endpoint is the ADAS-Cog score, which measures cognition and memory, and the secondary endpoint is the ADCS-ADL score, which measures independence and daily living activities.

The study recruited 720 patients. Recruitment for the trial has been completes. All patients attended their last visit and have now left the trial.

In June 2019, the results of the intermediate analysis of the masitinib trial in the Alzheimer’s disease showed a positive tendency of effectiveness in one of the tested doses.

The intermediate analysis was planned with 75% of the patients having been treated for a period of six months.

The intermediate analysis tests futility and conditional power greater than 80% (i.e., the probability of success greater than 80%). The protocol defines in a forward-looking manner the following scenarios based on the results of the interim analysis: a) stopping the study in the event of futility; b) continuation of the study if the conditional power test greater than 80% is positive, with or without an increase in the size of the patient sample; c)

intermediate situation between the two aforementioned scenarios. It is scenario b) that makes the intermediate analysis decisive for continuing the trial.

According to the rules defined in the protocol, it is scenario b) that was detected on one of the two doses texted at the time of the intermediate analysis.

- ANSM authorisation to start the confirmatory phase 3 study in indolent systemic mastocytosis

AB Science has been authorized by the French Medicine Agency, ANSM, to initiate the Phase 3 confirmatory study evaluating masitinib in indolent systemic mastocytosis.

This study (AB15003) is a multicenter, randomized, double blind, placebo-controlled, phase 3 study to compare the efficacy and safety of masitinib dose titration up to 6 mg/kg/day with that of placebo in treatment of patients with severe indolent systemic mastocytosis, unresponsive to optimal symptomatic treatment.

The study is designed to enroll 140 patients with or without the D816V mutation of c-Kit. The primary endpoint is a measure of the cumulative response on 3 severe symptoms of mast cell mediator release (pruritus, flush and depression) from week 8 to week 24. Secondary endpoints will measure response on the severe symptoms of pruritus, flushes, depression, and fatigue, taken together and individually, quality of life, as well as biological (tryptase) and skin involvement parameters. Under this protocol, severe symptoms of mast cell mediator release (also referred to as handicaps) are defined as: pruritus (score ≥ 9), flush (score ≥ 8), depression (HAMD-17 ≥ 19), and fatigue (FIS ≥ 75 or FSS ≥ 36).

Three optimizations of the phase 3 confirmatory study have been implemented based on the first phase 3 and are increasing the probability of success of the study.

- Dose titration: In the first phase 3 study, the starting dose of treatment was 6 mg/kg/day. This led to 20% treatment discontinuation, with discontinuation being counted as treatment failure in the analysis, hence penalizing masitinib. With dose titration from 3.0 to 4.5 and then 6.0 mg over two months period, marginal discontinuation rate is expected, which will favor efficacy assessment of masitinib.
- Recording of rescue therapy: In the first phase 3 study, patients could take rescue treatment in case of worsening of symptoms, which favored the placebo arm. In the new study, rescue treatment will be counted as treatment failure in the analysis.
- Run-in period: In the first phase 3 study, there was no run-in to ensure that patients were taking optimal symptomatic treatment at screening. In new study, one-month run-in period to control failure to symptomatic treatment.

The design of the confirmatory phase 3 study benefited from scientific advice and recommendations from health authorities.

<u>Other events</u>

- Private placement

AB Science successfully completed a private placement of shares with warrants attached (“ABSA”) allowing it to raise gross proceeds of €10 million. The net commission income received by AB Science amounted to €9.7 million. 2,463,054 ABSAs were issued at €4.06 each.

All ABSAs comprise one ordinary share and one share warrant (“BSA”). The BSAs will allow holders to subscribe 1,231,527 additional new shares at €5.5 per share.
The BSAs are exercisable for five years from their issue. They are not listed on Euronext Paris. If all of the BSAs are exercised, the Company will raise additional gross proceeds of 6.8 million euros.

- Investment security transactions:

During 2019:

- 333,000 stocks options were allotted
- 1,260,000 share warrants were allotted and subscribed in 2019.

- Other information:

AB Science confirms its shares qualify for PEA-PME (French SME personal equity plan) pursuant to 4 March 2014 Decree no. 2014-283 to apply Article 70 of 2014 Finance Act no. 2013-1278 dated 29 December 2013 that established PEA-PME company eligibility criteria as follows: either less than 5,000 employees, annual revenues under €1.5 billion or total balance sheet assets under €2 billion.

3. OBSERVATIONS OF THE DIRECTORS ON THE GROUP'S ANNUAL FINANCIAL REPORT

Statement of Comprehensive Income for the year ending 31 December 2019 (IFRS compliant):

(€'000)	2019	2018
Net revenues	1,571	1,701
Operating loss	(17,474)	(28,944)
Net loss	(21,747)	(26,061)
Comprehensive income/(loss) for the year	(21,726)	(25,907)
Earnings per share (€)	(0.55)	(0.69)
Diluted earnings per share (€)	(0.55)	(0.69)

Operating results

Operating income

(€'000)	2019	31.12.2018
Net revenues	1,571	1,701
Other income	0	0
Total operating income	1,571	1,701

Operating income consisting exclusively of sales linked to exploitation of a medicine for veterinary purposes came to €1,571,000 in 2019 as compared to €1,701,000 one year earlier, showing a decline of 7.6%.

Operating expenses

(€'000)	2019	2018
Cost of sales	181	248
Marketing & sales costs	1,018	1,082
Administrative expenses	2,263	2,388
Research and development expenses	15,583	26,926
Other operating costs	0	0
Total operating expenses	19,045	30,645

2019 operating expenses amounted to €19,045,000 (2018: €30,645,000), down 37.8%.

The cost of sales in 2019 came to €181,000 as compared to €248,000 in 2018, showing a decline of €67,000.

Marketing costs came to €1,021,000 in 2019 as compared to €1,082,000 in 2018, showing a decline of 5.6%.

Administrative expenses came in at €2,263,000 (2018: €2,388,000), down 5.2%.

2019 research costs amounted to €15,583,000 (2018: €26,926 ,000), down 42.1%.
This decrease is explained by the following reasons:

- Completion of a growing number of studies, which caused a decrease of the clinical costs (clinical partners, hospitals, laboratories), while the confirmatory studies have not started as of 31 December 2019.
- Study portfolio rationalization in order to focus masitinib clinical program on key indications

Operating loss

The 2019 operating loss amounted to €17,474,000 (2018: €28,944 ,000), down 39.6% or €11,470,000 for reasons described below.

Net financial income/(loss)

The 2019 net financial income/(loss) amounted to €4,269,000 as compared to a gain of €2,887,000 one year earlier.
The loss of €4,269,000 is due mainly to the change in fair value of the financial liability (€4,152,000). This change results in a non-recurring loss with no effect on the cash position. The valuation of this financial liability is explained in note 15.4 of the notes to the consolidated financial statements of this report.

Net loss

The 2019 net loss came in at €21,747,000 (2018: €26,061,000) down 16.6% for reasons described above.

Cash position and capital resources

Assets

Given the prospects for marketing the expected products, development costs have been entered under expenses. The capitalised amount corresponds mainly to the cost of registering the Company's patents. Registration costs of the Company's patents activated in net worth experienced a net loss of 8.1% in 2019, going from €1,536,000 euros in 2018 to €1,411,000 in 2019.

In application of IFRS 16, leasing contracts for a term greater than twelve (12) months are now entered under assets by recognition of a right of use. This came to €1,979,000 in 2019.

Inventories for the year ending on 31 December 2019 stood at €159,000 and break down as follows:

Customer receivables went from €236,000 in 2018 to €197,000 in 2019.

Financial assets correspond to treasury instruments whose maturity is greater than three months. On 31 December 2019 no treasury instrument had a greater maturity than three months.

Other Company current assets came in down €802,000 (€7,962,000 at 31 December 2019 versus €8,764,000 in 2018).

The cash position for 2019 comes to €5,695,000 as compared to €11,560,000 in 2018.

The total of the cash position and current financial assets come to €5,695,000 for 2019 as compared to €11,560,000 for 2018. Company cash increased by €12.3 million in March 2020 (see section 4 below).

Liabilities

The Company primarily raises funds in the form of share and bond issues and various government aid involving research tax credit, repayable advances and grants.

The table below summarises the shareholders' equity between 31 December 2018 and 31 December 2019.

(in thousands of euros - IFRS Norms)	Company shareholders' equity
Shareholders' equity on 31 December 2018.	(14,962)
Capital increases and share premiums net of costs	9,740
Comprehensive income/(loss) for the year	(21,726)
Conversion options	0
Share-based payments	119
Shareholders' equity on 31 December 2019.	(26,830)

At 31 December 2019, Company equity was negative to the tune of €26,830,000.

31 December 2019 current liabilities stood at €19,527,000, up 1.7% from €19,200,000 at 31 December 2018. This €327,000 liability increase largely arose from:

- €92,000 increase in current provisions due to accruals for industrial disputes
- €62,000 reduction in other current liabilities

- Decrease in trade accounts payable (€33,000)
- Recognition of rental commitments (IFRS 16): €333,000

Non-current liabilities amount to €25,043,000 as of 31 December 2019 and comprise the following items:

- non-current financial liabilities, for an amount of €22,546,000:
  - €10,197,000 in conditioned advances related to research programs and reimbursable if these programs are successful,
  - €12,345,000 related to the valuation of preference shares and warrants bearing the definition of debt instruments according to IFRS standards. These instruments are therefore recognized in financial liabilities and valued at their fair value on the date of each closing, i.e. €12,345,000 as of 31 December 2019. This valuation has no impact on cash.
- the sum of the updated rents to be paid under the current leases, for an amount of € 1,679 thousand, in application of IFRS 16 standards
- the provision of €817,000 for retirement indemnities

Non-current liabilities increased by €6,790,000 as compared to 31 December 2018. This increase is explained by the following reasons:

- The increase of conditional cash advances (€865,000)
- The increase of cash instruments (€4,152,000). This variation is mainly due to the cash instruments fair value variation
- The accounting of lease obligations (IFRS 16): €1,679,000

The only bank loan is a loan concluded in 2018 for an amount of €18,000 at a fixed rate of 2.06% and a duration of 36 months.

4. RECENT EVENTS SINCE THE CLOSE OF THE FINANCIAL YEAR

Clinical trials

- Positive results in progressive forms of multiple sclerosis

The Phase 2B/3 trial (AB07002) was a prospective, multicenter, randomized (2:1), double-blind, placebo-controlled, 2-parallel groups study evaluating oral masitinib as a treatment for progressive multiple sclerosis (MS). Eligible patients aged 18-75 years, with baseline Expanded Disability Status Scale (EDSS) 2.0–6.0, regardless of time-from-onset, and diagnosed with primary progressive (PPMS) or non-active secondary progressive (nSPMS) MS, were treated for 96 weeks.

The study met its primary analysis, demonstrating a statistically significant reduction in disability progression on EDSS with masitinib 4.5 mg/kg/day (p=0.0256). This treatment-effect was consistent for PPMS and nSPMS.

The sensitivity analysis based on ordinal EDSS change showed a significant 39% increased probability of having either more disease improvements or fewer disease progressions with masitinib treatment (p=0.0446). In addition, masitinib significantly reduced the risk of first disability progression by 42% and the risk of confirmed (3 months) disability progression by 37%. Masitinib also significantly reduced the risk of reaching an EDSS score of 7.0, corresponding to disability severe enough that the patient is restricted to a wheelchair (p=0.0093).

Safety was consistent with the known profile for masitinib.

No significant treatment-effect on EDSS was observed for high-dose masitinib (6 mg/kg/day).

There are two main forms of multiple sclerosis (MS), relapsing remitting (RRMS) and progressive (PMS). While significant progress has been made in the relapsing form of MS, with 15 approved drugs, there is still a very high unmet medical need for treating patients with primary progressive MS (PPMS) and non-active secondary progressive MS (nSPMS), with no approved drugs for nSPMS and only one for PPMS.

AB Science will consult with the FDA (through EOP2 meeting) and with the EMA (through Scientific Advice) to discuss the appropriate pathway forward for masitinib in the treatment of progressive forms of multiple sclerosis, including the possibility to file based on study AB07002 as a single pivotal trial and the design of a confirmatory study if required.

- FDA authorisation to start the confirmatory phase 3 study in amyotrophic lateral sclerosis

The U.S. Food and Drug Administration (FDA) has cleared the company's Investigational New Drug (IND) application, allowing the Company to initiate its masitinib Phase 3 study (AB19001) in amyotrophic lateral sclerosis (ALS).

Study AB19001 is an international, multicenter, randomized, double-blind, placebo-controlled, 3-parallel group, Phase 3 study to compare the efficacy and safety of masitinib in combination with riluzole versus placebo in combination with riluzole for the treatment of patients suffering from ALS.

The study's primary endpoint is the absolute change from baseline in functional score as assessed using the Amyotrophic Lateral Sclerosis Functional Rating Scale-revised (ALSFRS-R) after 48 weeks of treatment. The main secondary endpoint is the Combined Assessment of Function and Survival (CAFS).

The trial must recruit 495 patients who will be randomised in one of the following 3 treatment groups according to a 1:1:1 ratio.

- Group 1: Masitinib dose starting at 3.0mg/kg/day and rising to 4.5mg/kg/day, plus riluzole
- Group 2: Masitinib dose starting at 3.0mg/kg/day and rising to 4.5mg/kg/day and lastly 6.0 mg/kg/day, plus riluzole
- Group 3: Placebo plus riluzole.

The AB19001 study seeks to confirm the outcome of the first phase 2/3 (AB10015) study, which showed that Masitinib 4.5mg/kg/day dose together with riluzole could significantly slow the ALSFRS-R score reduction by 27% compared to riluzole alone after 48 weeks treatment (p-value <0.05).

Evidence of a dose-response effect was observed in study AB10015 at doses of 3.0 mg/kg/day and 4.5 mg/kg/day, with an acceptable safety profile. Therefore, the confirmatory study will assess an even higher dose of 6.0 mg/kg/day in one of the two active treatment arms.

The design of the confirmatory phase 3 study benefited from assistance to the protocol from the European Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency, which offers a special scientific opinion procedure for products with orphan drug status.

- FDA authorisation for patient recruitment in Phase 3 study in prostate cancer

The U.S. Food and Drug Administration (FDA) has cleared the company's Investigational New Drug (IND) application to conduct its masitinib Phase 3 study (AB12003) in metastatic castrate-resistant prostate cancer (mCRPC) eligible to chemotherapy.

Study AB12003 is an international, multicenter, randomized, double blind, placebo-controlled, 2-parallel group, Phase 3 study in metastatic castrate resistant prostate cancer (mCRPC) eligible to chemotherapy. The study aims to compare the efficacy and safety of masitinib (6.0 mg/kg/day) in combination with docetaxel to placebo in combination with docetaxel. Docetaxel is combined with prednisone.

The study primary endpoint is progression free survival (PFS). A total of 468 patients are planned to be enrolled.

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.

An interim analysis was carried out by the Independent Data Monitoring Committee (IDMC) in June 2018. Based on the rules defined for the interim analysis, the IDMC recommendation was to continue the study in a subgroup of patients identified using a biomarker. According to the statistical rule of the protocol for the interim analysis, this means that the probability of success of study AB12003 is greater than 80% in this subgroup of patients, if the patients remaining to be recruited generate the same data as those analysed for the interim analysis. This subgroup of patients represents approximately two thirds of the population.

Fundraising

In March 2020, AB Science carried out a fundraising generating 12.3 million euros due to the success of a private placement, the exercise of share warrants (subscribed by way of the private placement of August 2019) and the implementation of the financing agreement put in place to pre-finance the 2019 research tax credit:

- The private placement resulted in the issuance of 860,220 ordinary shares, raising gross proceeds of approximately 6.4 million euros. The placement price was set at €7.44 per share. This price is equal to the volume weighted average price per ordinary share of AB Science during the last two trading sessions preceding the price fixing date.
- The exercise of share warrants under the August 2019 private placement raised 1.23 million euros per the exercise of 449,014 share warrants. An investor subscribing for ABSAs in August 2019 informed AB Science on 28 February 2020 of its decision to exercise 449,014 share warrants and thus to subscribe for 224,507 new ordinary shares.
- Adopting the funding option allowing early receipt of 2019 research tax credit as reported on 6 November 2019 raised €4.70 million. In application of the provisions of the contract, this sum will bear interest at the US LIBOR rate 3 months + 2.50% per annum and must be repaid by AB Science after payment of the 2019 research tax credit by the tax authorities, scheduled for the second half of 2020.

The proceeds of all the operations described above will be used by AB Science for its general needs and in order to finance its clinical development program. Net proceeds for AB Science from the three operations described above are estimated at around €12 million.

Covid-19

At the time of this report, we expect that the COVID-19 pandemic will have limited impact on our clinical development program, as this crisis struck at a time when most of our on-going clinical studies were completed and new confirmatory studies were not yet initiated.

Data integrity is not affected for any of our programs as a result of the pandemic. The only trial with patients still under treatment is our phase 3 trial in prostate cancer (AB12003). In this study, we continue to work closely with our contract research organizations to monitor the safety of patients who are participating in the study. We have not observed any discontinuations nor deaths due to COVID-19.

For the studies to be read out, phase 2b/3 Alzheimer's Disease AB9004, phase 3 Severe Asthma with High Eosinophils AB14001, phase 3 Pancreatic Cancer AB12005 and phase 3 Metastatic Prostate Cancer AB12003, the potential impact could be a delay of up to a couple of months in study read-out timing, due to more difficult access to the clinical sites to perform quality control checks before the database lock.

For the new phase 3 Mastocytosis (AB15003) and ALS (AB19001) confirmatory studies, patient enrollment will start once post-pandemic conditions permit proper access to the sites, which may delay the enrollment date initially planned in March 2020 by up to 3 months. This decision is necessary to ensure the safety and well-being of our employees, the patients and the healthcare professionals involved in our clinical trials, and to ensure the integrity of these trials.

AB Science remains in constant contact with our global network of key suppliers, manufacturing partners, and contract research organizations to identify potential risks and take appropriate measures to avoid any disruption. At this time, we do not anticipate any supply disruptions.

We have put into place remote operations and new policies to maintain the safety and well-being of our employees, in line with international COVID guidelines, while working to maintain business continuity.

The financing of the AB science operations for the financial year 2020 is described in §§ 4. Post-balance sheet events - Fundraising and 5 Accounting policies and methods of the appendix to the Company accounts.

There have been no post-balance sheet events that may have a material impact on the Group's accounts.

5. RISK FACTORS

5.1. Strategic Risks

5.1.1. Risks of failure or delay in the development of the Company's products

AB Science conducts preclinical and clinical development programmes designed eventually to market relevant medicinal products. The development of a drug candidate is a long and costly process taking place over several phases with an uncertain outcome, the objective being to demonstrate that the drug candidate has a positive benefit-risk balance in each of the indications provided.

AB Science may also be unable to demonstrate good tolerability, the absence of adverse effects, or the effectiveness of one or more of its drug candidates in animals and humans. Furthermore, any failure at the various clinical stages for a given indication could delay the development, production and marketing of the drug candidate or even lead to its development being stopped.
More specifically, AB Science has identified the following risks associated with the development of its drug candidates, without this list being considered exhaustive:

- At each phase of development of a drug candidate, AB Science presents the results of its clinical studies to regulatory authorities in different countries according to a development plan.
- There may then appear (i) additional requirements concerning the study protocols, the characteristics of the patients included in the studies, the treatment durations and the post-treatment follow-up, (ii) differences in interpretation of the results, (iii) requests for additional studies to clarify certain points or targeting certain specific patient populations, (iv) differences between regulatory agencies in different countries or (v) changes in regulatory doctrine.
- Due to these requirements, discrepancies, requests or changes, the drug candidate development programme may be delayed or even stopped. Study times can thus be extended and development costs increased, to such an extent that the economic feasibility of the development programme can be significantly affected.
- Health authorities can perform audits of AB Science clinical studies. Health authorities are regularly called upon to verify that AB Science's conduct of its clinical studies complies with good clinical practice. Any failure of AB Science can have consequences on the duration, even the continuation and cost of clinical studies, as well as on the quality of the data collected. For example, in May 2017 AB Science received a decision that its France-based clinical trials were suspended, primarily due to repeated weaknesses in clinical best practices. AB Science has set up a quality management system and the required corrective and preventive actions. ANSM ended up by lifting its decision in May 2019 following an inspection to check that conditions for resuming clinical trials were met.
- During clinical trials, the speed of patient recruitment can be variable, even if the choice of centres and partners is calibrated based on the possibilities of recruitment. In addition, certain requests from regulatory authorities could impact the start-up time for patient recruitment. Any delay in recruiting patients for a clinical study can have a significant impact on the drug candidate development programme.
- AB Science relies on the economies of scale allowed by regulations to carry out its clinical trials, with favourable conditions in terms of time and budget. Any questioning of the regulations applicable in this area, or any decision by the regulatory authorities not to apply them in the case of AB Science molecules or any decision to request additional tests or examinations is likely to delay, or even interrupt the development programme of the drug candidate concerned.
- AB Science develops drug candidates for indications with high medical need. These indications are less sensitive than others to the existence of unwanted side effects. However, if AB Science's drug candidates had intolerable side effects, it would be impossible for it to continue development programmes in all or part of the intended indications.

Therefore, there is nothing that allows AB Science to guarantee that its research and development programmes will succeed, or that they will succeed within deadlines compatible with the needs of the market. Any failure or delay in the development of AB Science’s drug candidate programmes could have a material adverse effect on AB Science’s business, results, financial condition and prospects.
Certain provisions governing decision-making and monitoring research and development programmes aim to control this development risk (without however excluding it), in particular by assessing the advisability of continuing programmes (and therefore of initiating investments) when the risk is too great. Thus, without this list being exhaustive:

- AB has introduced a “futility analysis” in some of its clinical study protocols.
  This futility analysis, carried out by an independent data review committee, allows the premature termination of a clinical study if it becomes apparent that the study has a low probability of demonstrating the efficacy of the candidate drug tested in the target population of affected patients.
- Some of AB Science’s study protocols also include “re-sampling options”. Such an option can be implemented if, during an interim analysis provided for in the protocol, there are signs of it being effective but it proves necessary to increase the number of patients in the study to obtain a statistically significant outcome.
  For example, in June 2018 regarding a phase 3 metastatic castration-resistant prostate cancer (mCRPC) trial, the IDMC recommended continuing the trial based on the same rules as for the preliminary analysis with 468 patients in a patients sub-group identified with a biomarker, and signing up patients with no biomarker ceased.

5.1.2. Risk of dependence on masitinib

As of 31 December 2019, the Company’s most advanced product in the development process is masitinib.

The development of this drug candidate has required and will continue to require the Company to make significant investments in time and financial resources, as well as involving highly qualified personnel.

The future success of AB Science and its ability to generate income will depend on the technical and commercial success of this product and in particular, on the occurrence of many factors such as:

- the success of masitinib clinical programmes;
- obtaining marketing authorisation ("MA") granted by regulatory authorities;
- the success of the product marketing launch; and
- acceptance of masitinib by the medical community, prescribers and third-party payers (such as social security systems).

If the Company fails to develop and market its most advanced product, the Company's business, prospects, financial condition, results and development could be significantly affected.
In order to control this risk of dependence (without excluding it, however), AB Science is testing masitinib with different mechanisms of action for different indications.
AB Science also has an optimisation programme for new molecules.

5.1.3. AB Science operational funding risks

Since it was founded in 2001, AB Science has undertaken major research programmes, which has resulted in cash outflows to date. As of 31 December 2019, its cumulative consolidated net losses (retained earnings and loss for the period) amounted to 230 million euros. The negative cash flows generated by the operations of AB Science amounted to €26.8 million and €15.2 million respectively for the year ended 31 December 2018 and the year ended 31 December 2019.
AB Science anticipates capital requirements in the near future to continue ongoing clinical studies or to conduct new clinical studies with its existing drug candidates.
AB Science's future capital requirements will depend on many factors, such as:

- the transition of some of its drug candidates to clinical development stages;
- higher costs and slower progress than expected for its research and development programmes;
- progress of AB Science’s activity in identifying therapeutic molecules, consuming significant research and development resources and the corresponding increase in its portfolio of drug candidates;
- the costs of preparing, filing, defending and maintaining its patents and other intellectual property rights;
- costs to respond to technological and market developments;
- costs to ensure the efficient manufacturing and marketing of its drug candidates; and
- higher costs and longer lead times than expected for obtaining regulatory approvals, including time to prepare application files with regulatory authorities.

In the event that AB Science does not obtain the resources necessary to finance its activities, it would then be unable to develop, obtain regulatory approvals and market its drug candidates successfully.
AB Science may not be able to raise sufficient funds on acceptable terms, or may not raise funds at all when it needs to. In fact, without this list being exhaustive, it should be noted that:

- The stock markets have experienced significant fluctuations in recent years, sometimes unrelated to the results of the companies whose shares are traded. Market fluctuations and economic conditions could increase the volatility of AB Science shares. The price of AB Science shares could fluctuate significantly, in response to various factors and events, including the risk factors described in this document as well as the liquidity of the AB Science share market. AB Science’s financing capabilities, mostly based on private equity placements, could also be impacted.
- Since AB Science’s ability to carry out further capital increases is tightly controlled, it may be difficult to raise the funds necessary to finance its activities. In accordance with French law, the share capital of AB Science can only be increased with the agreement of the shareholders meeting at an Extraordinary General Meeting, even if the shareholders were to grant the Board of Directors delegated authority or power to proceed with a capital increase.
  In addition, the Commercial Code imposes certain restrictions on AB Science's ability to set the price of shares offered without preferential subscription rights in the context of a public offer or private placement without indication of the beneficiaries, which could prevent AB Science from carrying out a capital increase. More specifically, according to the Commercial Code, unless the offer represents less than 10% of the issued share capital (and subject to certain conditions being fulfilled), no security can be sold within the framework of such an offer at a price lower than the volume-weighted average price during the last three trading sessions on Euronext Paris prior to fixing of the price, which may be reduced by a maximum discount of 5.0%.

If AB Science is not able to raise sufficient funds on acceptable terms, or does not raise funds at all, AB Science may be forced to:

- delay, reduce or even eliminate research and development programmes or reduce its workforce;
- close some of its sites;
- obtain funds through partnership agreements which could force it to renounce rights to certain of its technologies or certain of its products, these being rights which it would not have renounced in a different context;
- grant licences or enter into new collaboration agreements which may be less attractive to it than those which could have been obtained in a different context; or
- consider asset sales or even a merger with another company.

In addition, to the extent that AB Science could raise capital by issuing new shares, the participation of its shareholders would be diluted. Debt financing, to the extent that it is available, could also include restrictive conditions.

One or more of these risks occurring could have a significant unfavourable impact on the activity of AB Science, its results, its financial situation, its prospects, as well as on the situation of its shareholders.

5.1.4. Risks linked to government grants and research tax credits

5.1.4.1. Risks linked to the research tax credit

To finance its activities, AB Science benefits from the French research tax credit ("CIR"), which consists of the State granting a tax credit to companies investing significantly in research and development. Research expenses eligible for the CIR include, in particular, salaries and wages, depreciation of research equipment, services subcontracted to approved research organisations (public or private) and intellectual property fees.
2019 CIR amounted to €4,122,000.
It cannot be ruled out that the tax authorities will question the methods of calculating research and development expenses adopted by AB Science or that the CIR will be called into question by a change in regulation or by a challenge by the tax authorities, even though AB Science complies with the documentation and eligibility requirements for expenditure. If such a situation were to occur, it could have an adverse impact on AB Science's business, results, financial condition and prospects.
The repayment date of the CIR debit obligation is uncertain. To protect against this risk, the Company may have to hedge this receivable, without being certain of succeeding. If it succeeds, the Company will have to pay financial costs (administration fees, interest charges) associated with the hedging of this receivable.

5.1.4.2. Risks related to funded research programmes

AB Science receives French government aid in the form of grants and repayable advances. At 31 December 2019, €10.2 million repayable advances are included under AB Science financial liabilities.
In the event that AB Science does not comply with the contractual conditions provided for in the grant and repayable advance agreements or decides to no longer continue with the subsidised or assisted research programmes, AB Science may not receive the planned grants. French public bodies that have provided grants and repayable advances could also suspend or close a programme because of the intermediate results obtained from this programme.
In the event that AB Science does not comply with the contractual conditions provided for with these French public bodies, it may have to reimburse the sums advanced.
These situations could deprive AB Science of the financial means to carry out its development programmes. AB Science may also not necessarily have the additional financial resources available or the time to replace these financial resources with others.

5.1.5. Risks related to the need to retain, attract and retain key personnel

The success of AB Science depends largely on the work and expertise of its management and key scientific personnel.
AB Science has not yet concluded any so-called "key person" insurance (permanent disability/death insurance policy) and the loss of their skills could impair AB Science's ability to achieve its objectives.
In addition, AB Science needs to recruit new executives and qualified scientific personnel for the development of its activities and as it expands in areas that require additional skills, such as statistical analysis, manufacturing, marketing, regulatory affairs and internal audit.
AB Science has to compete with other companies, research organisations and academic institutions to recruit and retain highly qualified scientific, technical and management personnel. To the extent that this competition is very intense and to the extent that AB Science is in competition with certain major players in the sector, AB Science

may not be able to attract or retain these key personnel on terms that are acceptable from an economic point of view.
AB Science's inability to attract and retain these key people could prevent it from achieving its objectives and thus have a material adverse impact on its business, results, financial condition and prospects.
AB Science's policy is to reduce this risk through its human resources management, particularly in terms of compensation and distribution of financial instruments giving access to capital.

5.1.6. Risks related to the management of the Company's internal growth

The development of AB Science will depend on its ability to manage its internal growth. If AB Science is able to grow its business significantly, it will need to recruit staff and expand its operational capabilities, which could greatly affect its internal resources. To this end, AB Science will have to, in particular:

- train, manage, motivate and retain an increasing number of employees;
- anticipate the expenses linked to this growth as well as the associated financing needs;
- anticipate the demand for its products and the income they are likely to generate; and
- increase the capacity of its existing operational, financial and management IT systems.

AB Science's inability to manage this growth, or if it encounters unexpected difficulties during its expansion, could have a material adverse impact on its business, results, financial condition and prospects.

5.1.7. Risks related to AB Science's competitive environment

The markets in which AB Science operates, namely the research and development of tyrosine kinase inhibitors, are characterised by rapid technological development, the predominance of products protected by intellectual property rights and intense competition. Numerous organisational structures, pharmaceutical laboratories, biotechnology companies, academic institutions and other research organisations are actively engaged in the discovery, research, development and marketing of tyrosine kinase inhibitors or competing technologies targeting the same therapeutic applications.
AB Science's technologies or drug candidates are or will be in competition with a number of established drugs. AB Science's drug candidates may also find themselves competing with a number of innovative therapies that are under development or recently marketed.
Because of their size and their prior art technologies used in the development of drug candidates, AB Science's competitors benefit from many more resources and experience in management, manufacturing, marketing and research than AB Science. In particular, large pharmaceutical companies benefit from significant experience in conducting clinical trials and obtaining regulatory authorisations on a global scale.
Under these conditions, AB Science cannot guarantee that its drug candidates:

- will obtain the regulatory approvals, be protected by patents, or get to market faster than those of AB Science's competitors;
- remain competitive with other products developed by AB Science's competitors that may be safer, more effective, or less costly;
- remain competitive with competitors' products that are produced and marketed more efficiently;
- will be a commercial success; or
- are not made obsolete or unprofitable by technological advances or other therapies developed by competitors of AB Science.

Such events could have a material adverse effect on AB Science's business, results, financial condition and prospects.
In order to control this risk (without excluding it), the competitive issue is integrated into the development choices of AB Science. The market and the drug candidates in development are constantly analysed, in particular by seeking the opinions of experts in the sector.

5.1.8. Risks related to changes in drug reimbursement policies

The pricing and reimbursement conditions for AB Science drug candidates will be a key factor in its commercial success.
The pressure on prices and reimbursement is increasing, notably because:

- price controls imposed by many states and some private insurers;
- the increased delisting of certain products;
- increased difficulty in obtaining and maintaining a satisfactory reimbursement rate for drugs; and
- the current tendency of states and private health service providers to widely promote generic drugs.

AB Science may not obtain a satisfactory price or reimbursement conditions for its drug candidates, which would harm their acceptance by the market, in which case AB Science would be unable to make a sufficient return on its research investments and development.
One or more of these risks occurring could have a significant unfavourable impact on the activity of AB Science, its results, its financial situation and its prospects.

5.1.9. Risks related to the lack of commercial success of products

If AB Science is successful in obtaining the MA to market its products, it may take time to gain buy-in from the medical community, prescribers and third-party payers.
The degree of market acceptance will depend on several factors, including:

- the prescribers' perceived therapeutic benefit of the drug;
- clinical developments after the MA;
- the occurrence of adverse events after the MA;
- the existence of alternative therapeutic options;
- ease of use of the product, linked in particular to the method of administration;
- the treatment cost;
- marketing efforts made by AB Science or its partners;
- reimbursement policies of governments and other third parties;
- the effective implementation of a publication strategy; and
- support from recognised experts.

Poor market penetration as a result of one of these factors could have a significant unfavourable impact on the activity of AB Science, its results, its financial situation and its prospects.

5.1.10. Risks linked to the holding by the founders, in particular Alain Moussy, of a significant percentage of the capital and voting rights of AB Science

At 31 December 2019, Alain Moussy and other signatories of a shareholder's pact acting in concert held 41.95% equity interest and 57.02% of voting rights in AB Science.
Natural persons linked to these shareholders sit on the AB Science Board of Directors. As long as these shareholders maintain their respective shareholdings in the capital of AB Science, Alain Moussy and, to a lesser extent, the founders, will continue to have a decisive influence on the appointment of directors and officers of AB Science as well as on other social decisions requiring the authorisation of the shareholders.

5.2. Operational risks

5.2.1. Risks related to dependence on third parties

5.2.1.1. Risks related to dependence on subcontractors for the production of AB Science products and for the supply of materials

As part of its development, AB Science uses subcontractors in particular for carrying out its clinical trials and for manufacturing all its drug candidates, in particular its most advanced drug candidate, masitinib.
Any failure on their part could have consequences on the duration, or even the continuation, of clinical studies and the quality of data which must meet strict standards (Good Clinical Practices and Good Manufacturing Practices) imposed by regulatory authorities, and could therefore delay the marketing of AB Science drug candidates.
In the event of a breakdown or deterioration in its relations with its subcontractors, AB Science may find it impossible to establish relationships with other subcontractors on acceptable commercial conditions, if at all, which could impair its ability to successfully produce, develop and market its drug candidates.
In addition, dependence on third-party manufacturers poses additional risks that AB Science would not face if it produced its products itself, namely:

- non-compliance of products manufactured by these third parties with regulatory and quality standards;
- production in insufficient quantities;
- damage during transport and/or storage of AB Science products;
- contract breaches with AB Science by these third parties; and
- the termination or non-renewal of these contracts for reasons beyond the control of AB Science.

If products manufactured by third-party suppliers are found to be non-compliant with regulatory standards, sanctions may be imposed on AB Science. These sanctions could include fines, injunctions, damages and interest, a refusal by regulatory authorities to allow it to carry out clinical trials or to grant the MA for its drug candidates, delays, the suspension or withdrawal of authorisations, the revocation of licences, the seizure or recall of its

products, operational restrictions and criminal prosecution, all of which having a significant negative impact on its business.

If AB Science decides to change the manufacturers for its products, it will be asked to revalidate the manufacturing process and procedures in accordance with the Good Manufacturing Practice standards in force. This revalidation could be costly, time consuming and may require the attention of the most qualified personnel at AB Science. If revalidation were refused, AB Science could be forced to seek another supplier, which could delay the production, development and marketing of its products and increase their manufacturing costs.

AB Science is also dependent on third parties for the supply of various materials, chemical or biological products which are necessary for the manufacture of its drug candidates or for the performance of its clinical trials.

AB Science's supply of any of these products could be reduced or discontinued. In addition, if this were the case, it may not be able to find other suppliers of materials, chemicals or biological products of acceptable quality, in appropriate volumes and at an acceptable cost. If its main suppliers or manufacturers were failing it or if its supply of products and materials was reduced or interrupted, it might not be able to continue to develop, produce and then market its products on time and competitively. These materials are subject to strict manufacturing requirements and rigorous testing. Delays in the completion and validation of facilities and processes for manufacturing these materials from suppliers could affect its ability to complete clinical trials and to market its products profitably and in a timely manner.

If AB Science were to encounter difficulties in the supply of these materials, chemical or biological products, if it were not able to maintain its subcontracting agreements, to conclude new agreements, or to obtain the materials, chemical or biological products necessary to develop and manufacture its products in the future, its activity, its prospects, its financial situation, its results and its development could be significantly affected.

If such risks were to materialise, they could have a material adverse effect on AB Science's business, results, financial condition and prospects.

In order to limit these risks, AB Science pays particular attention during the selection of these third parties and the monitoring of their services. For this purpose, AB Science has defined quality criteria which it applies at the time of their selection as well as annually during re-evaluations. At operational level, monitoring of the outsourced activities is carried out and formalised on a daily basis and audits are carried out periodically.

5.2.1.2. Risks linked to dependence on external collaborators, consultants or investigating doctors

AB Science relies on third parties to provide certain intellectual services such as scientific, medical, strategic advice sometimes even related to intellectual property. These providers are generally chosen for their scientific expertise, as is the case for the academic partners with whom AB Science may have to collaborate. To build and maintain such a network on acceptable terms, AB Science faces intense competition. These external collaborators can terminate their commitments at any time. AB Science only has limited control over their activities. AB Science may not be able to obtain intellectual property rights on acceptable terms for inventions subject to collaboration, research and licence contracts. In addition, these scientific collaborators could claim intellectual property rights or other rights beyond the contractual provisions.
In addition, the carrying out of AB Science clinical trials requires the participation of investigating doctors. This participation is governed by strict regulations but also by contracts, with the aim in particular of avoiding fraud, such as for example the generation of fictitious patient data or the oriented use of data from patients participating in clinical trials. This risk is controlled by regular visits to control the quality of the data produced and by carrying out audits on the clinical investigation centres.
If such risks were to materialise, they could have a material adverse effect on AB Science's business, results, financial condition and prospects.

5.2.2. Risks related to using an unreliable result or information

Decision-making for advancing AB Science's development programmes is based on fulfilling prerequisites, based on all the results acquired throughout the development phases. If these results prove to be erroneous or if the traceability of the operations and the data used to obtain them are not available, decision-making could be distorted and the progress of AB Science programmes could be delayed or even stopped.
This risk is all the greater since AB Science relies on numerous subcontractors and collaborators for key research and development stages. Managing subcontractors and collaborators therefore requires continuous and formalised control and audit processes.

If such risks were to materialise, they could have a material adverse effect on AB Science's business, results, financial condition and prospects.

5.2.3. Industrial risks linked to the environment or the use of dangerous substances

AB Science's research and development activities expose it to chemical and biological risks and force it to put operator protection and waste management measures in place in accordance with applicable regulations. For this purpose, AB Science has drawn up, by applying the Labour Code, a "special document" and thus assessed the various risks for the members of its team at each work station.
As part of its research and development programmes, AB Science uses hazardous and biological materials, solvents and other potentially genotoxic chemicals. As a result, AB Science is subject to environmental and safety laws and regulations governing the use, storage, handling, emission and disposal of hazardous materials, including chemical and organic products.

In the event of non-compliance with the regulations in force, failure to obtain or suspension from the necessary approvals within the framework of its activities, AB Science would be subject to fines and may have to suspend all or part of its activities. Complying with environmental, health and safety laws leads to additional costs, and the company may incur significant expenses to comply with future environmental laws and regulations. Compliance with environmental laws and regulations could require the company to acquire equipment, modify facilities and more generally incur other significant expenses.

Although AB Science believes that the safety procedures it implements for the storage, use, transport and disposal of hazardous, chemical and biological products and industrial waste are in compliance with the applicable regulations, the risk of accident or accidental contamination cannot be completely eliminated. In the event of an accident or contamination, AB Science could be held liable, which would require it to incur potentially significant costs for the compensation of victims and compensation for damage and could have a significant unfavourable impact on its activity, results, financial situation and prospects.

5.2.4. IT systems risks

The main risks of the AB Science information system are related to the security and availability of the system, as well as to the integrity and confidentiality of data. One or more of these risks occurring could have a significant unfavourable impact on the activity of AB Science, its results, its financial situation and its prospects.

A security policy has been set up and aims to secure the various accesses to the external and local networks, as well as to the applications. This policy also contributes to ensure the confidentiality of data. In addition, an IT charter specifies the rules for using IT tools and more generally the information and communication system, as well as the responsibility of users to protect their interests and those of AB Science.

The unavailability of the system also represents a risk for the activities of AB Science. Most of the data is actually generated in electronic format and hosted on the AB Science network. The unavailability or loss of this data would prevent research and development operations taking place at AB Science, thus preventing the collection of the elements necessary for the creation of the file that accompanies the drug candidate development regardless of the stage it is at. In order to preserve the integrity of the data, backup and archiving procedures have been put in place and are reviewed regularly.

5.3. Regulatory and legal risks

5.3.1. Risks related to the regulatory environment

<u>Pharmaceutical regulation</u>

Around the world, the pharmaceutical industry is facing a change in its regulatory environment and increased public scrutiny which requires more guarantees regarding the safety and efficacy of medicines. In addition, research incentives are diminishing.

Regulatory authorities, including the FDA in the United States, have imposed increasingly onerous requirements in terms of the volume of data required in order to demonstrate the efficacy and safety of a drug candidate. These requirements have tended to increase the cost of drug development. The products marketed are also subject to a regular reassessment of the benefit-risk ratio after their authorisation. The late discovery of problems not detected at the research stage can lead to marketing restrictions, the suspension or withdrawal of the product and an increased risk of litigation.

At the same time, while it is becoming increasingly difficult to place innovative products on the market for the above reasons, the regulatory authorities are seeking to facilitate the entry of generics into the market for products already marketed through new regulations aimed at modifying patent law and data exclusivity rules on the main markets. In the United States there is an accelerated generic approval procedure for large molecule biologics.

To the extent that new regulations increase the costs of obtaining and maintaining product approval or limit the economic value of a new product for its inventor, the growth prospects for the pharmaceutical industry and AB Science are reduced.

AB Science may have to operate in certain geographic areas where the balance of public accounts, local currencies or inflation rates may be constrained and/or affected by economic or financial crises, which could erode its margins when invoicing in local currencies or compromise the collection of its debts from public or private actors with which AB Science conducts its business.

In addition, in some geographic areas, patients self-finance the purchase of their medicines in the absence of organised social security systems, and may experience reduced financial resources. Lastly, in countries which provide public or private social cover for health expenditure, the impact of austerity policies or control of public expenditure could push paying agencies to increase the pressure they exert on the prices of drugs, increase patients' financial participation or become more selective about their reimbursement criteria. Such risks could have a material adverse effect on AB Science's business, results, financial situation and prospects.

Financial regulation

AB Science common shares are listed on Euronext Paris, Compartment B. The company is therefore controlled by the French Financial Markets Authority (AMF), which regulates the players and products of the French financial markets. The AMF conducts investigations and inspections and has the power to impose sanctions. The company or its managers could therefore be exposed to disciplinary and financial sanctions if the AMF finds deviations from the applicable regulations. As part of its market monitoring, in September 2017 the AMF opened an investigation relating to the financial information and the market for AB Science shares, as well as any financial instrument linked to it, as of 1 September 2014. This investigation is currently still ongoing and no complaints have been issued to date.

5.3.2. Risks relating to AB Science patents and those of third parties

5.3.2.1. Risks related to AB Science's patents

AB Science's economic policy is mainly based on patents covering two large families of distinct molecules. The first is the family of Thiazoles comprising the patent relating to the part of the masitinib compound and the second family consists of so-called Oxazoles.

AB Science has obtained the Thiazoles patent covering masitinib in Europe issued by the European Patent Office ("EPO") under number EP1525200B1 and in the United States issued by the United States Patent and Trademark Office ("USPTO") under number US 7,423,055. No third party has objected to the European patent covering masitinib within the time limit imposed by the EPO. In terms of scope, AB Science believes that Masitinib patents in Europe and USA are adequate to protect Masitinib and its close by-products. With regard to European and US patent filings, the EPO and USPTO have agreed to register six such patents including for the AB8939 molecule. The Company is currently reviewing a more recent patent.

There is no certainty that AB Science patent applications will result in the grant of patents or if patents are granted that they will not be challenged, invalidated or circumvented or that they will provide effective protection from competition and third-party patents covering similar compounds. The lack of sufficiently broad protection or the invalidation or circumvention of patents could have a significant negative impact on AB Science. In addition, the commercial success of AB Science will depend in particular on its ability to develop drug candidates and technologies that do not infringe on competitors' patents. AB Science cannot be sure to be the first to design an invention and file a patent application, especially given that the publication of patent applications is delayed in most countries until 18 months after the filing of applications.

It is important, for the success of its activity, that AB Science is able to obtain, maintain and enforce the patents covering masitinib, thiazole and oxazole derivatives and its intellectual property rights in Europe, in the United States and other countries. Furthermore, AB Science is not able to protect its intellectual property rights in all

countries around the world and it may not be successful at enforcing these rights even in the countries where it is trying to protect them.

AB Science intends to continue its patent protection policy by making new filings when it sees fit. In particular, AB Science intends to continue its policy of protecting masitinib and its applications by filing, if necessary, new patent applications and requests for Supplementary Protection Certificates ("SPCs") with the aim of obtaining an extension to the term of protection for masitinib beyond 31 July 2023 which is the expiration date of the patents covering it. An SPC is based on the basic patent covering the drug candidate and on the MA of the drug candidate and can under certain conditions extend the term of protection from a few years to a maximum of five years in Europe. There are similar extension opportunities in the United States and other countries. In Europe, it is also possible to request additional protection for six months as long as a drug candidate has been considered for paediatric applications.
Despite this, it cannot be excluded that:

- AB Science fails to develop new patentable inventions.
- AB Science fails to obtain SPCs.
- AB Science's patents are disputed and considered invalid or AB Science is unable to enforce them. The grant of a patent does not guarantee its validity or its application and third parties could challenge these two aspects. Legal actions or recourse to the competent offices may prove necessary to enforce the intellectual property rights of AB Science, protect its trade secrets or determine the validity and extent of its intellectual property rights. Any litigation could result in considerable expense, adversely affect the bottom line and financial condition of AB Science, and not provide the desired protection. AB Science's competitors could successfully challenge the validity of its patents in court or other proceedings. This could reduce the scope of these patents, and allow them to be circumvented by competitors. As a result, AB Science's rights in granted patents may not provide the expected protection against competitors.
- The extent of patent protection is insufficient to protect AB Science from counterfeiting or competition. The issue of drug patents is very complex and poses legal, scientific and factual problems. There are general efforts to standardise the patenting approach to the patentability of pharmaceutical inventions by the three major global patent organisations in the United States, Europe and Japan. However, there are still uncertainties, in particular as to the interpretation of the scope of the claims which may be granted, a question which still falls under national law. Developments or changes in the interpretation of intellectual property laws in Europe, the United States or other countries could change the legal position and the positioning of AB Science vis-à-vis its competitors. In addition, there are still some countries that do not protect intellectual property rights in the same way as in Europe or the United States, and the procedures and rules necessary to defend the rights of AB Science may not exist in these countries.
- Third parties may claim rights to patents or other intellectual property rights that AB Science owns or co-owns, or for which it has a licence. Collaborations, service contracts or subcontracting by AB Science with third parties expose it to the risk of seeing these third parties claim the benefit of intellectual property rights to AB Science's inventions or not ensuring confidentiality of non-patented innovations or improvements and of AB Science's know-how. AB Science may also be required to provide, in various forms, information, data or intelligence to third parties with which it collaborates (such as academic establishments and other public or private entities) concerning the research, development, manufacturing and marketing of its drug candidates. Despite the precautions AB Science takes, in particular of a contractual nature, with these entities, they could still claim ownership of the intellectual property rights resulting from the tests carried out by their employees. In terms of co-ownership of these intellectual property rights, these entities may not grant exclusive exploitation rights to AB Science according to terms deemed acceptable by the latter.

One or more of these risks occurring could have a significant unfavourable impact on the activity of AB Science, its results, its financial situation and its prospects.

5.3.2.2. Risks related to third party patents

It is important for the success of its activity that AB Science is able to freely exploit masitinib in the context of third party patents. In European countries, AB Science is not aware of any patent filed before its patents and which could constitute an absolute obstacle to the use of masitinib (identical risk of counterfeiting).
Despite this, it cannot be excluded that:

- Patents with complex interpretations cover certain activities of AB Science.
- Third parties bring an action for infringement against AB Science and require the payment of damages or are able to demand the cessation of its manufacturing activities or the marketing of its products or processes deemed to be infringing. If these lawsuits are successfully completed, AB Science could be forced to stop or delay the research, development, manufacture or sale of the drugs or drug candidates or processes covered by these lawsuits, which would significantly affect its activities.
- AB Science is obliged to apply for a licence from a third-party patent holder in order to be able to continue certain of its activities. This could adversely affect the outlook and financial situation of AB Science. There

is no guarantee that AB Science could prevail in such a situation or that it would be able to obtain a licence on acceptable economic terms and that it would not be prevented from manufacturing and selling its infringing products.
- Litigation against AB Science, regardless of its outcome, will result in substantial costs and can damage its reputation. Some competitors with more resources than AB Science may be in a better situation to bear the costs of a complex procedure. Any such dispute could affect the ability of AB Science to continue all or part of its business.

In general, numerous disputes and lawsuits concerning the violation of intellectual property rights are brought in the pharmaceutical industry. In addition to legal action taken against AB Science directly, the Company may be party to proceedings or litigation including action taken by the EPO or USPTO against the Company's intellectual property rights and technologies. Even if these disputes and procedures were resolved in favour of AB Science, the defence costs could be substantial. Such proceedings or litigation could also be very time consuming for AB Science's executives. Uncertainties related to the initiation or continuation of proceedings or litigation in this area could have a significant negative impact on the competitiveness of AB Science.
Thus, in the event of substantial disputes as mentioned above, AB Science could be forced to:
- stop selling or using any of its products that rely on the intellectual property rights challenged, which could reduce its income;
- obtain a licence from the holder of the intellectual property rights, a licence which may not be on reasonable terms, if at all;
- redesign or in the case of claims relating to registered trademarks, rename its drug candidates in order to avoid infringing on the intellectual property rights of third parties, which could prove impossible or be costly in terms of time and financial resources and could therefore hamper its marketing efforts.

Lastly, AB Science brands are important identity elements of AB Science and its products. Even if the main elements of its brands have been registered in France, Europe and the United States, other companies in the pharmaceutical sector could use or attempt to use elements of this brand, and thus create confusion in the mind of third parties.
One or more of these risks occurring could have a significant unfavourable impact on the activity of AB Science, its results, its financial situation and its prospects.

5.3.3. Risks linked to AB Science's accountability with regard to product liability

AB Science could be exposed to the risk of being held accountable during the clinical development or the commercial exploitation of its products, in particular for product liability, related to the trials, to the manufacturing and to the marketing of therapeutic products in humans and animals. It may also be held liable for the preparation of the therapeutic products tested and unexpected side effects resulting from the administration of these products during clinical trials. Complaints or lawsuits could be filed or brought against AB Science by patients, regulatory authorities, pharmaceutical companies and any other third party using or marketing its products. These actions may include complaints resulting from acts of its partners, licensees and subcontractors, over which AB Science has little or no control.

Given the specific nature of its activities, which at this stage are focused on the research and development of innovative therapeutic products, the quantification of possible risks in the absence of direct claims or claims indicators in its sector activity, makes it difficult to determine a coverage amount, particularly in matters of civil liability. AB Science cannot therefore guarantee that its current insurance coverage is sufficient to respond to liability actions that may be brought against it. If its liability or that of its partners, licensees and subcontractors were therefore called into question, if it itself or if its partners, licensees and subcontractors were not able to obtain and maintain the appropriate insurance coverage at an acceptable cost, or to protect in any way against product liability actions, this would lead to a serious impact on its product marketing and more generally would harm its activities, its results, its financial situation and its prospects.

Furthermore, AB Science cannot guarantee that it will always be able to keep and, if necessary, obtain similar guarantees at an acceptable cost, which could lead to accepting more expensive insurance policies and/or taking on a higher level of risk, especially during the development of its activities.

5.3.4. Risks related to the inability to protect the confidentiality of AB Science information and know-how.

AB Science depends on technologies, methods, know-how and non-patented data which it considers to be trade secrets. The protection of these is ensured in particular by the conclusion of confidentiality agreements between AB Science and its employees, its consultants, its public or private research partners and some of its

subcontractors. AB Science cannot be certain that these agreements or that any other type of protection of its industrial secrets will be effective or, that in the event of violation, satisfactory remedies are available.

AB Science may be required to provide information and materials to public or private entities in order to conduct certain tests for the purposes of research or validation of commercial projects. In both cases, AB Science uses confidentiality agreements. Its activity also depends on technologies, processes, know-how and its own non-patented data which AB Science considers to be trade secrets and which it protects in part by confidentiality agreements with its employees, its consultants and certain partners and sub- contractors. It cannot be excluded that these agreements or other methods of protecting trade secrets do not provide the protection sought or are not respected, that AB Science does not have an appropriate solution for such violations, or that its trade secrets are disclosed to, or independently developed by, its competitors.

One or more of these risks occurring could have a significant unfavourable impact on the activity of AB Science, its results, its financial situation and its prospects.

5.4. Financial risks

In addition to the risks associated with forecasted losses and the financing of AB Science's activity described above, the main financial risks are as follows:

5.4.1. Risks related to financial instruments

AB Science's exposure to this type of risk mainly concerns two elements of the balance sheet: cash and its current financial assets.

AB Science’s cash investments were mainly made in money market funds and negotiable certificates of deposit. AB Science limits its exposure to credit risk by investing in particular in liquid securities (term deposits).

A breakdown of the Company’s 31 December 2019 financial instruments fis given in note 12 to the 2019 consolidated financial statements.

5.4.2. Risk of change

AB Science is exposed to currency risk due to its international operations, without a hedging mechanism. AB Science cannot exclude that as it develops its activities, in particular in the United States, the exposure to currency risk increases.

AB Science is exposed to USD or any other currency exchange risk, the equivalent of 4 million euros of its operating expenses being denominated in currencies other than the euro in 2019. These expenses were mainly incurred in the United States and invoiced in USD.

The effect of a change in exchange rates would impact the results of AB Science as follows:
- An upward or downward variation in the US dollar/Euro exchange rate by 10% would respectively lead to an improvement or a deterioration of its € 186 K operating income.
- A variation in the £/euro exchange rate of plus or minus 10% would have a negligible impact on its income and equity (€ 31 K).

AB Science has not subscribed, at this stage of its development, to any hedging mechanism in order to protect its activity against fluctuations in exchange rates. AB Science regularly reviews whether it should subscribe to such hedging mechanisms based on how its exposure changes.
If AB Science fails to subscribe to effective hedging mechanisms and market prices in the future, its operating results could be adversely affected.

5.4.3. Interest rate risk

AB Science is exposed to market risks in the management of both its liquidity and its medium and long-term debts.

With regard to liquidity, interest rate risk is managed by AB Science’s Finance Department monitoring and validating procedures. Liquid assets are mainly invested in term deposits and investment securities with guaranteed capital at maturity and offering high quality investment.

The financial liabilities of AB Science are detailed in note 15 to the 2019 consolidated financial statements.

AB Science believes it has little exposure to interest rate risk.

A change in interest rates of plus or minus one point would not have a significant impact on the results of AB Science.

5.4.4. Liquidity risk

31 December 2019 cash and cash equivalents and current financial assets (as specified in chapters 12 and 13 of the notes to the 2019 consolidated financial statements) are not sufficient to ensure AB Science can fund its operations over the coming twelve months. However, since the beginning of 2020, AB Science has received pledges from various parties to provide funding options so that, once the funds are received, it can fund its 2020 operations.

5.4.5. Risk of volatility in AB Science share prices

It is likely that the price of AB Science shares will be significantly affected by events such as decisions by health authorities, changes in AB Science's financial results, changes in market conditions specific to its sector of activity, announcements of new contracts, technological innovations and collaborations by AB Science or its main competitors, developments relating to intellectual property rights, including patents, the announcement of results of drug candidates under development by AB Science or its main competitors, obtaining the necessary regulatory approvals and authorisations as well as the development, launch and sale of new drug candidates by AB Science or its main competitors.

Furthermore, the stock markets have experienced significant price variations in recent years which often do not reflect the operational and financial performance of listed companies. The share prices of biotechnology companies have been particularly volatile and may still be very volatile in the future. Stock market fluctuations as well as economic conditions can significantly affect the price of AB Science shares.

5.4.6. Risks of dilution

As part of its incentives policy for its managers and employees, the Company has, since its creation, regularly allocated or issued stock options and stock warrants. The Company may in the future allocate or issue new instruments giving access to capital, including free shares.

In its search for financing options, the Company was encouraged to use financial instruments that could lead to a dilution of its capital over time.

As of 31 December 2019, based on a €5.38 share price, the exercise of all the Company's exercisable equity instruments as follows and would lead to the following new shares broken down as follows:

- Options whose exercise price is greater than or equal to the stock market price and whose exercise conditions are met, subject to vesting conditions:
  - ✓ Staff stock options: 304,131
  - ✓ BSPCE: 2,182,588
  - ✓ BSA (French share warrants): 3,082,593 (including 2,463,054 BSAs entitling holders to acquire 1,231,527 shares)

  Exercise of these BSAs would lead to a €36,207,000 equity increase and a 9% equity dilution.

- There are no BSAs with exercise price above or equal to market price:
  - ✓ Stock options allotted to staff: 131,680

  Exercise of these BSAs would lead to a €36,207,000 equity increase and a 0.3% equity dilution.

- December 2016-issued preference shares entitling holders to convert them into ordinary shares, the terms of which are detailed under paragraph 8.6 hereto:
  - ✓ Preference shares convertible into ordinary shares: 1,947,148
  - ✓ Nominal BSA: 4,506
  - ✓ Capitalised BSA: 233,268

  Exercise of these preference shares would lead to a €9,738,000 equity increase and a 4.7% equity dilution.

- Options based on specific performance criteria, the terms of which are specified under paragraphs 11.3, 11.4 and 11.5 hereto:
  - ✓ Stock options allotted to staff: 333,000
  - ✓ BSPCE: 3,118;082
  - ✓ BSA (French share warrants): 4,023;136
  - ✓ Conversion of AGAPs into ordinary shares: 4,145,800

  Exercise of these AGAPs would lead to a €85,468,000 equity increase and a 20.9% equity dilution.

Exercise of these equity instruments and all further allotments or issues would lead to a material equity dilution for shareholders.

Note that should all 18,274,405 warrants be exercised, equity would increase by €133 million.
The "dilution capital" table presented in chapter 8.6 details the potential dilution according to the share price and the period from which the warrants can be exercised.

6. FORESEEABLE CHANGES OF THE GROUP'S SITUATION AND FUTURE PROSPECTS

In 2020, AB Science continues to allocate most of its resources to the development of masitinib, the most advanced molecule of the Company.

The expected masitinib clinical milestones for 2020 are:
- Final analysis for phase 3 study in Alzheimer's disease;
- Final analysis for phase 3 study in severe asthma uncontrolled by inhaled corticosteroids and with high eosinophils level;
- Final analysis for phase 3 study in pancreatic cancer;
- Final analysis for phase 3 study in prostate cancer;

These results on studies that include a large sample of patients will increase the visibility on the portfolio and will lead to the identification of the indications with the greatest potential for the company.

Additionally, AB Science is about to launch two confirmatory studies:
- Launch of a confirmatory phase 3 study in ALS
- Launch of a confirmatory phase 3 in systemic indolent mastocytosis

The Company also continued to invest in drug discovery activities in order to fuel its portfolio of molecules. The Company anticipates, subject to the availability of financial resources, to begin the regulatory preclinical studies of new molecules from its own research program.

Finally, AB Science intends to launch a phase 1/2 study in refractory acute myeloid leukemia with a new molecule developed by AB Science (AB8939).

7. CORPORATE GOVERNANCE

7.1. Composition and functioning of the Board of Directors

7.1.1. Rules of operation

The Company is administered by a Board of Directors of at least three members and at most eighteen, subject to the exceptions provided for by law. The directors are appointed for a term of six years.
The Board of Directors determines the Company's business strategy and oversees its implementation. Subject to the powers expressly attributed by law to shareholders' meetings and within the limit of the corporate purpose, it deals with any question concerning the smooth running of the Company and has meetings to discuss the matters which concern it.

When dealing with third parties, the Company is bound even by acts of the Board of Directors that are not within the company's purpose, unless it can prove that the third party knew that the act went beyond this purpose or could not have been unaware thereof given the circumstances, mere publication of the Articles not being sufficient to constitute such proof.

The Board of Directors carries out the controls and checks it deems appropriate. Each director receives all the information necessary to fulfil his duty and can request any documents which he deems useful.

The Board may confer on any agent of its choice any delegation of powers within the limits of those it holds under the law and these articles of association.

It may decide to set up committees to study the questions that it or its chairman submits, in order to receive an opinion on matters it examines.

The company has chosen in the context of the exercise of its rights not to separate the functions of Chairman of the Board of Directors and Managing Director. So Alain Moussy is Company chairman and CEO.

7.1.2. Composition of the Board of Directors

The Board of Directors, on the date of this report, is made up of 6 directors (including the Chairman) and 1 censor:

Directors:

- Alain Moussy (Chairman)
- Brigitte Reverdin (Independent Director)
- Nathalie Riez (Independent Director)
- Emmanuelle Mourey (Independent Director), appointed by the General Meeting of 29 June 2018
- Jean-Pierre Kinet
- Patrick Moussy

Censor

- Ms Béatrice Bihr

The censors are appointed by the Ordinary General Meeting. The censors attend the meetings of the Board of Directors but do not have the right to vote on the decisions submitted to the Board.
Censors are convened to meetings of the Board under the same conditions as directors and benefit from the same information rights.

7.1.3. Meetings of the Board of Directors

During the year ended 31 December 2019, the Board of Directors met six times, on January 23, February 13, April 29, May 14, August 13 and September 23 with a 91.67% attendance rate.

The number of board meetings takes into account the various events that mark the life of the Company. An eventful year therefore results in more board meetings.

The directors meet regularly with the Chairman and Managing Director of the Company and are called upon to give their opinion on decisions that must be taken quickly between two meetings of the board, by any means of communication.

7.2. Committees and Scientific Council

The Board of Directors of the Company has established the following committees:

7.2.1. Finance Committee

The Finance Committee was set up by the Board of Directors on 15 December 2009 as part of a change in the Company's governance rules.

The Finance Committee has three members:
- Ms Nathalie Riez, Director
- Ms Emmanuel Mourey, Director
- Ms Béatrice Bihr, Censor

The Finance Committee is chaired by Ms Nathalie Riez. It met in 2019 to review the 2018 financial statements and 2019 interim financial statements, and to review the Company’s business continuity plan.

7.2.2. Compensation and Appointments Committee

A Compensation and Appointments Committee was set up by the Board of Director with three members:

- Ms Brigitte Reverdin, Director
- Ms Béatrice Bihr, Censor
- Mr Matthieu O'Neill, Independent Person,

Brigitte Reverdin chairs the Compensation and Appointments Committee.

The Compensation and Appointments Committee met four times in 2019 with 100% attendance.

7.2.3. Scientific Committee

The Scientific Committee was set up in 2002. Its purpose is to set the main scientific direction of the Company. It suggests methods and strategies for achieving the Company's technological objectives. It assesses the work carried out by the Company and the results obtained.

The Scientific Committee is also responsible for confirming the strategic scientific selections and directions, in particular those selected and implemented by the Scientific Director of the Company.

The Scientific Committee meets whenever necessary. All of the Company's scientific department's work and its objectives are presented to it at these meetings.

The Scientific Committee, co-chaired by Jean-Pierre Kinet and Olivier Hermine, has the following four members:

- Christian Auclair
- Patrice Dubreuil
- Olivier Hermine
- Jean Pierre Kinet

The Scientific Committee met once during the 2019 financial year with a 90% attendance rate.

7.2.4. Independent Directors

At 31 December 2019 the Company had three non-executive directors, namely Brigitte Reverdin, Nathalie Riez and Emmanuelle Mourey, whose terms of office expire following the general meeting called to approve the 2022 financial statements and that for the 2023 financial statements for Emmanuelle Mourey.

The criteria used by AB Science to define an independent director are as follows:

- A director is considered independent if he/she has no relationship of any kind whatsoever with the company, its group or its management, which could compromise his/her free judgment.
- A director representing major shareholders of the company can be considered independent as soon as these shareholders do not participate in the control of the company and hold less than 10% in capital or voting rights.

The conclusions of the review of the Board of Directors are as follow:

- Brigitte Reverdin: Independent Director (percentage of ownership less than 10%)
- Nathalie Riez: Independent Director (percentage of ownership less than 10%)
- Emmanuelle Mourey: Independent Director (percentage of ownership less than 10%)
- Alain Moussy is not independent because of his position as Managing Director and his signing of the founding pact; he also holds 44.34% of the votes
- Patrick Moussy is not independent because of his family ties with Alain Moussy
- Jean-Pierre Kinet is not independent because he signed the founding pact

7.3. List of terms of office of members of the administrative bodies

Member's name or corporate name	Date of first appointment	Term of office expiry date	Main function held in the Company	Main function held outside the Company	Other terms of office currently held in other companies	Other offices and positions held in other companies during the past five years and not held on 31 December 2019
Alain Moussy	11/07/2001 (Company formation date)	General Meeting approving the accounts for the year ended 31 December 2023	Chairman, Managing Director	Chairman of the French Association for research initiatives on mast cells and mastocytosis Chairman of the AMY SAS Company	None	None
Patrick Moussy	11/07/2001 (Company formation date)	General Meeting approving the accounts for the year ended 31 December 2021	Director	Engineer	None	None
Jean-Pierre Kinet	11/07/2001 (Company formation date)	General Meeting approving the accounts for the year ended 31 December 2021	Director	Chairman, iXLife Advisor and Board Member HIRM Institute, Harvard Medical School.	Chairman of: - iXLife - Vaxon - Pharmafast Bio Supervisory board member: - iXCore - iXblue - iXfund Director of Pharmaleads, Theravectys and Onxeo Manager of Kinet Life Pharma Management and JPK Consulting	None
Brigitte Reverdin	31/08/2015.	General Meeting approving the financial statements for the year ended 31 December 2022	Director	Director, MARKETrends Family Office, Geneva	None	None
Nathalie Riez	15/12/2017	General Meeting approving the financial statements for the year ended 31 December 2022	Director	Founder of the Dig-Ethic consulting firm	Director Impak Finance Europe and member of the board of RCI (Renault subsidiary)	None

Member's name or corporate name	Date of first appointment	Term of office expiry date	Main function held in the Company	Main function held outside the Company	Other terms of office currently held in other companies	Other offices and positions held in other companies during the past five years and not held on 31 December 2019
Emmanuelle Mourey	29/06/2018.	General Meeting approving the accounts for the year ended 31 December 2023	Director	Member of the Board	Member of the Board, Chairman of the Board of Directors and Chair of the Tocqueville Finance SA Remunerations Committee Member of the Board, Chairman of the Board of Directors of Tocqueville Finance (SAS). Member of the Board, member of the Appointments and Compensation Committee and member of the AEW (SA) Strategic Committee. Chairman of the Board of Directors and Managing Director of Sèvres LBPI (SA).	Chairman of the Audit and Risk Committee of Tocqueville Finance SA

7.4. Corporate governance report – Say on pay

7.4.1. 2020 remuneration – remuneration policy

Pursuant to 27 November 2019 Decree 2019-1234 relating to listed company directors remuneration and 27 November 2019 Decree 2019-1235 transposing 17 May 2017 EU directive 2017/828 amending 2007/36/EC directive designed to further shareholder long-term investment, section 7.4.1 hereto is the report to shareholders covering AB Science directors compensation policy.

The directors approved this report on 30 April 2020 following the *Management* proposal and recommendation from the Compensation Committee and it will be submitted to vote at the forthcoming general meeting of shareholders.

People concerned

This report covers all AB Science directors, specifically:

(i) AB Science chairman and chief executive officer;

(ii) AB Science deputy chief executive officer; and

(iii) Other AB Science directors.

Terms of office

The current terms of office of all above directors are six years. The term of office of the censors is three years. These mandates are renewable, each time for a period of three years. All terms of office can be renewed, each time for a further six-year term. All directors can be dismissed at any time by the shareholders.

General remuneration policy disclosures

This report contains information required under Article L. 225-37-2 of the Commercial Code and further information that the board of directors considers are appropriate to bring to shareholders' attention so that they have a complete view of the AB Science director's compensation policy.

Implementation of the AB Science 2020 director's compensation policy laid out below is conditional on the forthcoming general meeting voting for a resolution on the entire compensation policy.

Three other resolutions will allow shareholders to vote on said policy's introduction in respect of (i) the chairman and chief executive officer, (ii) the deputy chief executive officer and (iii) the directors and censors.

Method

To prepare the directors compensation policy, the Compensation Committee reviews all pay including all components thereof.

On *Management* proposal and amendment recommendation of the Compensation Committee, the board of directors has approved the directors compensation policy based on the following general principles, involving annual assessment of individual and Company performance in respect of the chairman and chief executive officer.

From time to time, amendments thereto on the same basis may be recommended depending on feedback received and observation of practices of other companies similar to AB Science. The *Management*, based on the recommendation of the Compensation Committee proposes variable compensation performance criteria to the board of directors. Such performance criteria are based on both collective and individual targets. Once approved by the board of directors and general meeting, directors compensation policy implementation is overseen by the Compensation Committee, which reports to the board of directors at least annually whereby it recommends decisions for the board of directors to take.

Following performance criteria assessment periods, the Compensation Committee calculates the extent of target achievement and makes recommendation to the board of directors.

To assess extent of target achievement, the Compensation Committee and board of directors may, as applicable, take into account factors that were outside the directors' control and may have partially or wholly undermined their work during the past year, subject to the compliance with the limit on the overall amount of the planned compensation.

The Compensation Committee or board of directors may consult the chairman and chief executive officer when carrying out a periodic directors' compensation policy review. However, to avoid any conflict of interest, the chairman and chief executive officer does not vote on board resolutions that concern him personally.

To review the Company's director's compensation policy in relation to practices of other companies similar to AB Science, the Compensation Committee may turn to market studies or outside experts.

The Compensation Committee also participates in the definition of the compensation policy for directors and censors by recommending pay breakdown rules to the board of directors, overseeing implementation thereof and recommending to the board of directors a revised directors pay total to submit to the general meeting.

General principles

Since 2004, the chairman and chief executive officer has an AB Science employment contract as Science Director. The chairman and chief executive officer does not receive any directors fees but his pay under his employment contract complies with the rules stated hereto. To increase transparency, AB Science considers that such pay falls under the scope of the AB Science directors compensation policy.

Before appointment as Deputy Chief Executive Officer, Denis Gicquel was an AB Science employee. His employment contract has continued since he became a director given that the responsible pharmacist has to be an employee under regulations (only) pursuant to Article R. 5142-33 1 of the Public Health Code. So the deputy chief executive officer's pay is based on the terms of his employment contract and complies with principles applying to all AB Science employees.

For the chairman and chief executive officer, the board of directors approved the following general principles, on which pay and benefits will be based:

- Incentive to work in AB Science's underlying interests;
- Compliance with the AFEP-MEDEF Code's recommendations[1];
- No severance pay on termination (with the exception of statutory compensation in the event of the termination of the employment contract);
- No non-compete compensation on the termination of corporate office;
- No additional pension scheme;
- No fees for directorships;
- Account taken of the difficulty of directors' duties;
- Account taken of their experience in office and length of service with AB Science;
- Account taken of practices observed in companies similar to AB Science;
- Incentivising and balanced pay structure broken down as follows:
    - Fixed compensation;

[1] The table in the Directors Corporate Governance Report section of the annual financial report lists AFEP-MEDEF Code recommendations that AB Science does not apply

- Annual variable compensation based on collective and individual, financial and non-financial targets;
- Account taken of any free issues of AB Science shares or equity securities (terms and conditions thereof must be subject to performance targets);
- No further pay from an AB Science subsidiary.

The Board considers that that the terms and conditions for setting the chairman and chief executive officer's pay comply with the principles of the AFEP MEDEF Code[2].

It should be noted that the chairman and chief executive officer has traditionally received free preference shares, share warrants and entrepreneur start-up warrants as detailed under section 7.4 of the AB Science annual financial report.

For directors and censors, the board of directors approved the following general principles, on which pay and benefits will be based:

- Compliance with the AFEP-MEDEF Code's recommendations[3];
- The total directors pay approved in general meeting may not be overrun;
- Pay allocation primarily based on attendance; and
- Optional special assignments as permitted under statute.

Note: directors have traditionally received share warrants as detailed under section 11.3 of the AB Science annual financial report.

Compliance of directors pay with AB Science's underlying interests

The board of directors believes that the general principles stated above mean that the compensation policy matches AB Science's underlying interests:

Underlying interests	Chairman and CEO	Deputy CEO	Directors/Censors
Compliance with Company interests	Sufficient pay to retain the serving chairman and chief executive officer. Reasonable pay level in relation to market practices.	Reasonable pay level in relation to market practices, including making sure that the functions of Responsible Pharmacist are exercises in an unbiased way.	Sufficient pay to retain the serving director and censors. Pay conditional on serving directors' and censors' attendance. Reasonable pay level in relation to market practices.
Contribution to AB Science strategy	Variable compensation conditional on AB Science achieving targets, including financial and clinical targets. Free shares, BCEs and	Compensation of the Deputy CEO and also Responsible Pharmacist, which is in line with the compensation policy of AB Science executives	Sufficient pay to attract relevant high-quality people and run specialist committees.

[2] The table in the Directors Corporate Governance Report section of the annual financial report lists AFEP-MEDEF Code recommendations that AB Science does not apply

[3] The table in the Directors Corporate Governance Report section of the annual financial report lists AFEP-MEDEF Code recommendations that AB Science does not apply

	BSAs, the value of which depends on AB Science's share price.		
Contribution to AB Science long-term viability	Sufficient pay to retain the serving chairman and chief executive officer.	Sufficient pay to retain the actual Deputy CEO	Sufficient pay to retain the serving directors and censors.

Material changes to the compensation policy compared to the previous one

Since the last compensation policy submitted to shareholders at the 28 June 2019 general meeting, the following material changes have been made:

- The Chairman and CEO's fixed compensation (gross salary excluding incentive bonus and seniority bonuses) has risen from €215,442 gross for 2019 to €304,000 gross for 2020. The following two elements should be noted on this point:
  - Such increase should have applied in 2019 but, given that some targets were not achieved, on Compensation Committee recommendation, the Board of Directors decided to postpone this increase until 2020; and
  - This increase takes into account the fact that the Chairman and CEO's fixed compensation remained unchanged since 2010;

- The deputy CEO's fixed compensation has risen from €77,322 gross for 2019 to €79,600 gross for 2020, up 3.2%;

- For the first time since AB Science was formed, directors and censors will be entitled to directors' fees; and

- Directors and censors pay will be included in the overall directors pay policy.

The board of directors invites shareholders to give their opinions about any pay-related matters. At the 28 June 2019 general meeting, shareholders did not ask any pay-related questions in the run-up to or during the meeting. All pay-related resolutions were passed with a large shareholder majority, including shareholders unrelated to the primary shareholder.

Material changes to the compensation policy should directors change

Once approved by shareholders, the compensation policy should be applied to all currently serving AB Science directors, including when their terms of office are renewed during the year. Should directors change or new directors be appointed during the year, the following rules shall apply:

- New directors or censors: the pay scale in said policy shall apply unchanged to new directors and still complying with the total annual limit approved by shareholders.

- New Chairman and CEO: current pay terms and conditions shall be the maximum allowed, unless shareholders have passed a new policy in advance; in the event of in-house recruitment, the newly appointed person may retain his or her employment contract if authorised by the board of directors provided the value limits are respected.

- New deputy CEO: should a new deputy CEO be appointed, including as responsible Pharmacist, if such person already has an employment contract, his/her pay should be the higher of that specified in his/her employment contract and that granted to the previous deputy CEO; in other circumstances, current terms and conditions should be the maximum until a new policy approved in advance by shareholders is introduced.

Exemptions

The board of directors reserves the right to temporarily be exempt from said policy in exceptional circumstances, but only after a majority of directors including non-executive directors determine that such pay policy exemption is required in the Company's long-term interests or to ensure its viability.

The board of directors must give specific reasons for such exemption.

7.4.2. Pay in respect of 2020 – directors compensation principles and criteria

Pursuant to 27 November 2019 Decree 2019-1234 relating to listed company directors remuneration and 27 November 2019 Decree 2019-1235 transposing 17 May 2017 EU directive 2017/828 amending 2007/36/EC directive designed to further shareholder long-term investment, section 7.4.2 hereto is the report to shareholders covering the principles and criteria governing directors' fixed, variable and exceptional compensation included in AB Science directors' total pay.

The directors approved this report on 30 April 2020 following *Management* proposal and recommendation from the Compensation Committee. It will be submitted to vote at the forthcoming general meeting of shareholders.

This report contains information required under Article L. 225-37-2 of the Commercial Code and further information that the board of directors considers are appropriate to bring to shareholders' attention so that they have a complete view of the principles and criteria governing directors' fixed, variable and exceptional compensation included in AB Science directors' 2020 total pay.

7.4.2.1. Criteria and methods applied to determine, allocate and grant fixed, variable and exceptional portions of the Chairman and CEO's total pay and benefits of any kind in respect of 2020.

Fixed compensation

The Chairman and CEO's fixed compensation is paid over in 12 monthly instalments, and is reviewed and potentially changed once a year by the board of directors on Compensation Committee recommendation taking account of any practices introduced in AB Science's operations.

It is recommended said fixed compensation (gross salary excluding incentive bonus and seniority bonuses) should be €304,000 gross in respect of 2020.

Variable compensation

It is recommended the Chairman and CEO's variable compensation should not exceed €260,000 gross in respect of 2020.

Said variable compensation is based on the extent of collective targets achieved (maximum of 75% weighting) and individual objectives (minimum of 25% weighting), as approved by the board of directors on Compensation Committee recommendation.

Said targets are both financial and non-financial and are based on achieving AB Science strategic targets. 2020 collective targets are primarily based on AB Science's progress in ongoing clinical programmes. The Chairman and CEO's individual performance criteria are based on AB Science's long-term strategic issues, financial objectives for AB Science and organising the work of the board of directors and its committees.

While some targets are financial and others are non-financial, all targets properly match AB Science's corporate interests. They are supposed to change every year depending on the board of directors' view of high-priority actions to fulfil medium and long term AB Science targets.

For privacy reasons, details of such collective and individual performance criteria are not disclosed.

Pursuant to Article L. 225-37-2 of the Commercial Code, payment of annual or exceptional variable compensation is subject to Chairman and CEO pay being approved in general meeting under conditions outlined in Article L. 225-100 of the Commercial Code.

Once approved by the general meeting in accordance with article L.225-100 of the French Commercial Code, and once paid over, compensation cannot be recalled.

Total annual cash compensation

Pursuant to the above, the Chairman and CEO's cash compensation (excluding incentive bonus, excluding seniority bonuses and excluding exceptional bonus) may reach €564,000 in respect of 2020, of which 54% fixed and 46% variable.

Benefits in kind

The Chairman and CEO enjoys unemployment insurance and use of a Company car that in 2020 shall not exceed €8,004 and €1,280 respectively.

Other pay

Since the chairman and CEO has an employment contract as Science Director, he receives a length of service bonus and an incentive bonus.

Said bonuses in respect of 2020 shall amount to:

- Length of service bonus: €17,253.
- Incentive bonus: €30,852.

7.4.2.2. Criteria and methods applied to determine, allocate and grant fixed, variable and exceptional portions of the Deputy CEO's total pay and benefits of any kind in respect of 2020.

Fixed compensation

Pursuant to his employment contract as Responsible Pharmacist, the deputy CEO's compensation is paid in 12 monthly instalments.

Said compensation is set at €79,760 gross in respect of 2020.

Variable compensation

As part of his employment contract and in line with the compensation policy for AB Science executives, Denis Gicquel receives variable compensation based on the achievement of individual operational objectives.

It is proposed to establish the variable compensation of the Deputy CEO at a maximum of 10,000 euros gross for the financial year 2020.

In accordance with Article L. 225-37-2 of the French Commercial Code, the payment of annual or exceptional variable compensation is subject to the approval by an ordinary general meeting of the compensation for the Deputy CEO under the conditions provided for in Article L. 225-100 of the French Commercial Code.

Once approved by the general meeting in accordance with article L. 225-100 of the French Commercial Code, and once paid over, the compensation cannot be recalled.

Total annual cash compensation

Pursuant to the above, the deputy CEO's cash compensation (excluding incentive bonus and exceptional bonus) may reach €89,760 in respect of 2020, of which 89% fixed and 11% variable.

Other pay

Since the deputy CEO has an employment contract as Responsible Pharmacist, he receives an incentive bonus.

Said bonus in respect of 2020 shall amount to €16,067 gross in respect of 2020.

7.4.2.3. Criteria and methods applied to determine, allocate and grant directors and censors' pay in respect of 2020.

Directors and censors as a whole receive a fixed annual amount known as *Directors' fees* as determined in general meeting and said amount is posted under AB Science operating costs.

The board of directors is responsible for allocating directors' fees.

Directors and censors' fees should be distinguished from any pay granted in respect of specific tasks, employment contract pay, Chairman and CEO compensation, exceptional pay for assignments or special jobs and business expense refunds.

The board of directors has adopted the following scale:

- Allocation per Board meeting: €1,500

- Allocation per permanent special committee meeting: €1,500

Should the total approved by shareholders be overrun, the board of directors shall adjust the scale ex-post on Compensation Committee recommendation. Allocated compensation may be paid quarterly, half yearly or annually, but never in advance. Once paid over, compensation cannot be recalled.

All AB Science directors and censors (except for the Chairman and CEO) are entitled to directors' fees.

7.4.3. Pay in respect of 2019 – directors compensation

Pursuant to 27 November 2019 Decree 2019-1234 relating to listed company directors remuneration and 27 November 2019 Decree 2019-1235 transposing 17 May 2017 EU directive 2017/828 amending 2007/36/EC directive designed to further shareholder long-term investment, this section 7.4.3 is the report to shareholders covering compensation paid to AB Science directors in 2019 for their duties.

This report contains disclosures required under Articles L. 225-37-3 L. 225-100 of the Commercial Code and further information that the board of directors considers are appropriate to bring to shareholders' attention so that they have a complete view of compensation paid or granted to AB Science directors.

7.4.3.1. People concerned

This report covers compensation paid or due in respect of 2019 to the AB Science Chairman and CEO and deputy CEO.

On *Management* proposal and recommendation from the Compensation Committee, the board of directors 30 April 2019 meeting approved the Chairman and CEO's and deputy CEO's 2019 compensation items.

Pursuant to currently valid Article L. 225-37-2 of the Commercial Code, said items were submitted to the 28 June 2019 general meeting.

On *Management* proposal and recommendation from the Compensation Committee, the board of directors 30 April 2020 meeting approved the variable compensation performance criteria targets and, consequently, the variable compensation amount owing to the Chairman and CEO in respect of 2019 (whilst amounts owing to the deputy CEO are based on his employment contract like other AB Science employees) *[confirm]*.

Payment of the Chairman and CEO's and the deputy CEO's variable compensation in respect of 2019 is conditional on the forthcoming ordinary general meeting approving such compensation under terms and conditions listed in Article L. 225-100 of the Commercial Code.

Non-executive directors and censors did not receive any pay in respect of 2019 apart from previously allotted BSAs (which can be exercised based on their Board meeting attendance).

7.4.3.2. General disclosures regarding compensation policy, pay ratios and executive directors pay over the last 5 years

The table below presents pay ratios between the French annual minimum wage and Company staff (full time equivalents) mean and median pay on the one hand, and the Company chairman and CEO and deputy CEO on the other:

Year	Benchmark			Chairman and CEO				Deputy CEO			
	Pay			Pay	Pay ratio			Pay	Pay ratio		
	Mean (A)	Median (B)	Min wage (C)		vs. A	vs. B	vs. C		vs. A	vs. B	vs. C
2019	54,521	45,546	18,255	241,986	4	5	13	81,322	1	2	4
2018	51,959	43,098	17,982	241,868	5	6	13	78,082	2	2	4
2017	48,390	40,243	17,763	241,599	5	6	14	80,820	2	2	5
2016	49,531	39,199	17,600	313,937	6	8	18	78,699	2	2	4
2015	49,854	37,807	17,490	389,017	8	10	22	73,020	1	2	4

The board of directors invites shareholders to give their opinions about any pay-related matters. At the 28 June 2019 general meeting, shareholders did not ask any pay-related questions in the run-up to or during the meeting. All pay-related resolutions were passed with a large shareholder majority, including shareholders unrelated to the primary shareholder.

There are no exceptions or exemptions to report. Directors' compensation paid in respect of 2019 complies with AB Science shareholder-approved resolutions passed by the 28 June 2019 general meeting.

7.4.3.3. Chairman and CEO and deputy CEO compensation

Pursuant to the Chairman and CEO pay policy approved by the 28 June 2019 general meeting, his 2019 pay comprised fixed annual gross compensation of €215,442 gross (excluding incentive bonus and seniority bonuses) and variable compensation not exceeding €220,000 gross conditional on achieving both collective and some other individual targets arising from his duties.

The deputy CEO's pay in respect of 2019 comprised fixed annual gross compensation of €77,322 gross and variable compensation not exceeding €8,000 gross conditional on achieving collective targets.

On *Management* proposal and recommendation from the Compensation Committee, on 30 April 2020, the board of directors reviewed the extent of each target's achievement. The Chairman and CEO's collective and individual targets were primarily linked to progress made on ongoing AB Science clinical trials and on obtaining funding for AB Science. For privacy reasons, even though such collective and individual performance criteria are specified in detail, they are not disclosed.

With regard to weighting of each performance criteria, the board of directors determined an overall 65% achievement level for the Chairman and CEO's targets. A 65% achievement level means the Chairman and CEO is entitled to 2019 variable compensation of €143,000.

The deputy CEO is entitled to 2019 variable compensation of €6,000 in view of the AB Science collective targets achievement level. For privacy reasons, details of such performance criteria are not disclosed.

Payment of the Chairman and CEO's and the deputy CEO's variable compensation in respect of 2019 is conditional on the forthcoming ordinary general meeting approving such compensation under terms and conditions listed in Article L. 225-100 of the Commercial Code.

7.4.3.4. Overview of all directors pay

An overview of all directors pay in respect of 2019 is broken down as follows:

Total pay including compensation, stock options and shares allotted to each director (€'000):

Alan Moussy, Chairman and Managing Director (€'000)	2019	2018
Compensation due for the year	405	482
Value of stock options granted for the year	0	0
Valuation of the multi-year variable compensation allotted during the financial year	0	0
Valuation of the shares allotted free	0	0
Total	405	482

Denis Gicquel, Denis Gicquel - Deputy Managing Director (In thousands of euros)	31.12.2019	31.12.2018
Compensation due for the financial year	96	95
Value of stock options granted for the year	0	0
Valuation of the multi-year variable compensation allotted during the financial year	0	0
Valuation of the shares allotted free	0	0
Total	96	95

Directors' fees and other compensation paid to non-director company officers summarising the compensation of each executive company director		
Non-director company officers	Amounts paid in 2019	Amounts paid in 2018
Directors' fees	None	
Other compensation		
TOTAL	**-**	**-**

Share warrants were allotted to non-exec board directors, a breakdown of which is included in section 11.3 hereto.

Summary of pay to each director:

- Chairman and Managing Director, Alain Moussy

	Amount paid in 2019	Amount paid in 2019 for 2019	Amount remaining due for 2019	Amount remaining due for 2018	Amount remaining due for 2017	Amount remaining due for 2016	Amount remaining due for 2015	Amount remaining due for 2014
Fixed remuneration	232,695	232,695	-	-	-	-	-	-
- base salary	*215,442*	*215,442*	-	-	-	-	-	-
-seniority bonus	*17,253*	*17,253*	-	-	-	-	-	-
Variable compensation:	20,262	20,262	143,000	220,000	220,000	243,740	220,000	220,000
- incentive pay	*20,262*	*20,262*	-	-		-	-	-
- target-based bonus	*0*	-	*143,000*	*220,000*	*220,000*	*243,740*	*220,000*	*220,000*
Exceptional compensation	0	-	-	-		0	-	-
- exceptional bonus	*0*	-	-	-		*0*	-	-
Directors' fees	None	None	None	None	None	None	None	None
Fringe benefits	9,291	9,291	-	-		-	-	-
TOTAL	262,248	262,248	143,000	220,000	220,000	243,740	220,000	220,000

- Deputy Managing Director, Denis Gicquel

	Amounts paid in 2019	Amounts paid in 2019 for 2018
Fixed compensation *- base salary*	77,322 *77,322*	- -
Variable compensation: *- incentive pay* *- target-based bonus*	19,172 *15,172* *4,000*	6,344 *2,344* *4,000*
Exceptional compensation Fringe benefits	None None	None None
TOTAL	96,493	6,344

Stock options granted to each director:

Stock options or stock purchase option plans allotted to each executive director during the 2019 financial year						
Executive Director	Plan number and date	Nature of the options (purchase or subscription)	Valuation of the options (€'000)	Number of options allotted during the financial year	Exercise price	Exercise period
Alain Moussy	None	None	None	None	None	None
Denis Gicquel	None	None	None	None	None	None

Stock options or stock purchase option plans allotted to each executive director during the 2019 financial year per director			
Executive Director	Plan number and date	Number of options allotted during the financial year	Exercise price
Alain Moussy	None	None	None
Denis Gicquel	None	None	None

Free shares allotted to each executive director:

Free preferred shares allotted during the 2019 financial year to each executive director							
Executive Director	Board of Directors grant date	Number of free shares allotted to each executive director during the financial year	Purchase date	Availability date	Valuation of the shares (in thousands of euros)	Plan maturity date	Performance criteria (*)
Alain Moussy	None	None	None	None	None	None	None

Past stock option, BSA and BCE allotments:

Alain Moussy has 332,000 shares warrants issued in 2016 and subscribed in 2017 and 1,617,614 BSAR issued in 2014 and subscribed in 2015.

The table under paragraph 11.3 of the annual financial report specifies past BSA allotments.
The table below presents the history of the allotments of entrepreneur start-up share warrants ("BCE") in circulation on 31 December 2019 to Alain Moussy, sole beneficiary of the BCEs among the company officers.

Summary table of the Entrepreneur start-up share warrants ("BCE"):

	BCE3A	BCE3B	BCE2007A	BCE2007B	BCE2008A	BCE2008B	BCE2008C	BCE2010A	BCE2012	BCE2013
Number of options allotted (1)	189	189	906	288	235	220	123	28,784	1,902;792	25,580
Allotment date of the BCEs (starting date of the financial year)	24/05/ 2008	12/03/ 2009	17/06/ 2009	16/12/ 2009	13/01/ 2010	13/01/ 2010	19/11/ 2010	03/02/ 2011	30/08/ 2012	22/04/ 2013
Expiry date	30/12/ 2015	30/12/ 2015	31/12/ 2027	31/12/ 2027	31/12/ 2027	31/12/ 2027	31/12/ 2027	31/12/ 2027	31/12/ 2027	31/12/ 2027
Value ('000 €) (3)	62.3	65.2	685	168	140	70.3	63.3	48.7	114.2	1.5
Subscription price	2,300.75	2,300.75	7,680.00	7,680.00	7,680.00	7,680.00	7,680.00	12.28	12.50	18.74
Modalities of the financial year	realisation of objectives	realisation of objectives	realisation of objectives	realisation of objectives	realisation of objectives	realisation of objectives	realisation of objectives	realisation of objectives	realisation of objectives (2)	realisation of objectives (2)
Total number of shares subscribed as at 31 December 2017	189,000	189,000								
Total number of stock options cancelled or expired	0	0	0	0	0	-73	0	0	0	0
Stock options remaining at the end of the financial year	0	0	906	288	235	147	123	28,784	1,902,792	25,580

(1) For BCE3A to 2008C, 1 option results in 1,000 common shares. For BCE2010A, BCE2012, BCE2013, 1 option results in 1 common share.
(2) Objectives defined in section 8.6 of this report
(3) Valuation as adopted within the scope of the IFRS 2 application but before the effect of averaging under IFRS 2 of the expense on the acquisition period ('000 euros)

The table below presents the history of the allotments of stock purchase options to Denis Gicquel, sole beneficiary of stock options among the company officers:

History of the allotments of stock options to the company officers (Denis Gicquel, Deputy Managing Director)			
	SO6C	SO6E	SO7A
Board of Directors grant date	24/04/2015	28/04/2016	30/04/2018
Vesting date	24/04/2019	28/04/2020	30/04/2022
Plan maturity date	23/04/2025	27/04/2026	29/04/2028
Number of allotted options	2000	3340	4000
Conditions of exercise *Presence and performance criteria*	*N/A*	*N/A*	*N/A*
Exercise price *(€)*	15.8	17.29	12.65

Given that no stock option granted to the deputy CEO became exercisable during the year, none were exercised.

Past allotments of free shares:

Date of the General Meeting	09/12/2015	09/12/2015	28/06/2017
Board of Directors grant date	16/12/2015	19/12/2016	28/12/2017
Number of allotted options	33,794	205	7,550
Including shares allocated to:			
Alain Moussy	24,734	0	5,589
Denis Gicquel	34	21	1
Conditions of exercise *Presence and performance criteria*	*Yes (*)*	*Yes (*)*	*Yes (*)*
Plan maturity date	31/12/2024	31/12/2024	31/12/2024
Exercise price *(€)*	0	0	0

(*) Objectives defined in section 11.5 of this report

Directors pay and benefits terms and conditions:

Executive directors	Employment contract		Supplementary pension plan		Indemnities or benefits due or likely to be due in the event of termination or change of functions		Indemnities relating to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Alain Moussy - Chairman and Managing Director *Term start date: 11/07/2001* *Term end date: General Meeting in 2024 approving the accounts for the year ended 31 December 2023*	X			X		X		X
Denis Gicquel - Deputy Managing Director *Term start date: 11/11/2014* *Term end date: 2020*	X			X		X		X

Amounts accrued by the Company to pay directors', censors' and executives' pensions, retirement benefits and other benefits

The Company has set aside provisions for retirement benefits.

The contingent liability relates to directors' retirement compensation as at 31 December 2019, calculated per the collective staff agreement and length of service, and before social security charges amounts to €104,000 (including €95,000 for Alain Moussy).

AB Science pays retirement contributions each month to organisations that will pay pensions to employees when they retire (defined contribution plan).

The Company has also contributed since 2009 to an unemployment insurance scheme for Mr. Alain Moussy.

8. GENERAL SHARE CAPITAL DISCLOSURES

8.1. Share capital

At 31 December 2019, Company share capital stood at €440,602.97 consisting of 44,060,297 fully paid-up €0.01 nominal value shares. Share capital at 31 December 2019 is broken down between:

- 43,493,433 ordinary shares
- 41,458 preference shares ("preference shares") convertible into B class ordinary shares pursuant to Article 11. III. 7. Under the Company's articles of association, in the event of a public offer to buy or exchange Company shares, as from the date when the French financial markets regulator (AMF) issues its compliance statement thereon, the board of directors may decide that all A shares and all B shares are immediately convertible.
- 525,406 2016 C class preference shares ("2016 preference shares").

8.2. Changes in share capital

The table below shows how share capital has changed per the Company annual financial statements from 1 January 2017 to 31 December 2019.

Date:	Nature of the transactions	Capital increase (€)	Share premium or contributed goodwill (€)	Number of shares created			Nominal value	Aggregate number of shares			Share capital after operation (€)
				Cat. A	Cat. B	Cat. C		Cat. A	Cat. B	Cat. C	
Turnover 20/02/2017	Exercise of 33,301 stock options and 520,091 BEA	5,533.92	7,813,797	553,392			0.01	38,565,108	33,751	525,406	391,242.65
Turnover 24/03/2017	Creation of 2,224,793 new shares	22,247.93	32,998,812	2,224,793			0.01	40,789,901	33,751	525,406	413,490.58
Turnover 27/04/2017	Exercise of 3,564 stock options and 196 BCE	1,995.64	1,533,374	199,564			0.01	40,989,465	33,751	525,406	415,486.22
Turnover 31/08/2017	Exercise of 1,600 stock options	16.00	12,106	1,600			0.01	40,991,065	33,751	525,406	415,502.22
Turnover 28/12/2017	Issue of 180 free preference shares	1.80	-1.80	180			0.01	40,991,065	33,931	525,406	415,504.02
Turnover 26/09/2018	Issue of 39,314 BSA	393.14	0.00	39,314			0.01	41,030,379	33,931	525,406	415,897.16
Turnover 23/01/2019	Issue of 7,527 free preference shares	75.27	-75.27		7,527		0.01	41,030,379	41,458	525,406	415,972.43
Managing Director decision 16/08/2019	Creation of 2,463 054 new shares	24,630.54	9,702;351	2,463,054			0.01	43,493;433	41,458	525,406	440,602.97

8.3. Summary of 2019 transactions mentioned under Article L. 621-18-2 of the Monetary and Financial Code

During the 2019 financial year, no operation relating to article L. 621-18-2 of the Monetary and Financial Code was recorded.

8.4. Principal shareholders

Summary table of the principal shareholders as at 31 December 2019

Shareholder	Capital on 31/12/19		
	Registered shares	% of the capital and voting rights	
		% of the capital	% of the voting rights
- Moussy, Alain	1,255,362	2.85%	3.94%
AMY SAS	12,273,000	27.86%	39.52%
Subtotal concert Alain Moussy	**13,528,362**	**30.70%**	**43.46%**
Investors in the agreement whose equity interest is less than 5%	0	0.00%	0.00%
Other investors who are members of the agreement	**4,956,148**	**11.25%**	**13.56%**
Shares in the agreement	4,956,148	11.25%	13.56%
Shares outside the agreement	0	0.00%	0.00%
Total concert	**18,484,510**	**41.95%**	**57.02%**
Investors in the agreement whose equity interest is less than 5%	0	0.00%	0.00%
Other investors	25,575,787	58.05%	42.98%
Total	44,060,297	100%	100%

History of the Company's capital and voting rights

Shareholder	Capital on 31/12/2018		
	Registered shares	% of the capital and voting rights	
		% of the capital	% of the voting rights
- Moussy, Alain	1,255,362	3.02%	4.06%
AMY SAS	12,273,000	29.50%	40.66%
Subtotal concert Alain Moussy	**13,528,362**	**32.52%**	**44.72%**
Investors in the agreement whose equity interest is less than 5%	0	0.00%	0.00%
Other investors who are members of the agreement	**3,644,235**	**8.76%**	**11.79%**
Shares in the agreement	3,379,276	8.12%	10.97%
Shares outside the agreement	264,959	0.64%	0.82%
Total concert	**17,172,597**	**41.28%**	**56.51%**
Investors in the agreement whose equity interest is less than 5%	0	0.00%	0.00%
Other investors	24,424,646	58.72%	43.49%
Total	41,597,243	100%	100%

8.5. Shareholder agreements

The list of shareholder agreements underway during the 2019 financial year is as follows:

Conclusion date of the agreement	Founders/shareholders concerned	Main clauses	Term of the agreement
02/03/2006	A. Moussy with O. Hermine / P. Dubreuil / C. Auclair/ M. Ciufolini	- Undertaking to retain the shares held by the parties to the agreement throughout the term of the agreement unless consent is obtained from shareholders holding more than 50.1% of the shares of the parties to the agreement. - Pre-emptive right: if disposal is approved, A. Moussy enjoys a pre-emptive right bearing on the shares forming the object of the disposal.	02/03/2021

Conclusion date of the agreement	Founders/shareholders concerned	Main clauses	Term of the agreement
09/02/2010	A. Moussy / JP. Kinet	- Compulsory concertation for all Ordinary and Extraordinary General Meeting resolutions	09/02/2020
09/02/2010	A. Moussy / AMY SAS /. Hermine / P. Dubreuil / C. Auclair / M. Ciufolini	- Compulsory concertation for all Ordinary and Extraordinary General Meeting resolutions	02/03/2021
15/03/2010	A. Moussy / AMY SAS with L. Guy	- Compulsory concertation for all Ordinary and Extraordinary General Meeting resolutions	02/03/2021
23/03/2010 (amendment dated 06/07/2010)	A. Moussy / AMY SAS with Gillots Guernsey Limited (formerly Tanamera Properties Ltd.)	- Number of shares: 97,800 (130,400 in case of realisation of the condition precedent provided for in article 1 of the amendment to the agreement). - Commitment to hold shares for the pact's duration. - Pre-emptive right: If disposal is authorised, A. Moussy and AMY SAS enjoy a pre-emptive right on 97,800 AB Science shares. - Undertaking to sell by Gillots Guernsey Limited to A. Moussy and AMY SAS bearing on 97,800 AB Science shares which can be exercised at any time at the average market price of the last fifteen trading days prior to sending notification of the lifting of the undertaking (price offering an internal yield rate of 12% on the shares disposed of if the condition precedent provided for in article 1 of the amendment to the agreement is realised). - Concertation: The parties have agreed to consult with one another and thus Gillots Guernsey Limited agrees to vote identically to A. Moussy at the Ordinary General Meeting (and the Extraordinary Meeting if the condition precedent provided for by article 1 of the amendment to the agreement is realised). - If the total equity interest of the represented minority shareholders (Gillots Guernsey Limited and P. Giraux) represents at least 10% of the Company's share capital, said represented minority shareholders can ask the Board of Directors to propose at the upcoming General Meeting the appointment of a member to represent them on the Board of Directors.	26/03/2020
29/03/2010	A. Moussy / AMY SAS with R. Starckmann	- Number of shares: 43,600. - Undertaking to keep the shares throughout the term of the agreement. - Pre-emptive right: A. Moussy and AMY SAS have obtained a pre-emptive right on 43,600 AB Science shares. - Undertaking to sell by R. Starckmann to A. Moussy and AMY SAS bearing on 43,600 AB Science shares which can be exercised at any time at the average market price of 30 trading days prior to sending notification of lifting the undertaking	29/03/2020

Conclusion date of the agreement	Founders/shareholders concerned	Main clauses	Term of the agreement
		- Concertation: The parties have agreed to consult one another and thus R. Strackmann agrees to vote identically to A. Moussy in Ordinary and Extraordinary General Meetings.	
19/03/2010 (amendment dated 06/07/2010)	A. Moussy / AMY SAS with P. Giraux	- Number of shares: 32,700 (43,600 in case of realisation of the condition precedent provided for in article 1 of the amendment to the agreement). - Commitment to hold shares for the pact's duration. - Pre-emptive right: A. Moussy and AMY SAS have obtained a pre-emptive right on 32,700 AB Science shares. - Undertaking to sell by P. Giraux to A. Moussy and AMY SAS bearing on 32,700 AB Science shares which can be exercised at any time at the average market price of the last 30 trading days prior to sending notification of the lifting of the undertaking (price offering an internal yield rate of 12% on the shares disposed of if the condition precedent provided for in article 1 of the amendment to the agreement is realised). - Concertation: The parties have agreed to consult with one another and thus P Giraux agrees to vote identically to A. Moussy at the Ordinary General Meeting (and the Extraordinary Meeting if the condition precedent provided for by article 1 of the amendment to the agreement is realised). - If the total equity interest of the represented minority shareholders (Gillots Guernsey Company and P. Giraux) represents at least 10% of the Company's share capital, said represented minority shareholders can ask the Board of Directors to propose at the upcoming General Meeting the appointment of a member to represent them on the Board of Directors.	19/03/2020
31/03/2010	A. Moussy / AMY SAS with Madame de Polignac	- Number of shares: 26,200. - Undertaking to keep the shares throughout the term of the agreement. - Pre-emptive right: A. Moussy and AMY SAS have obtained a pre-emptive right on 26,200 AB Science shares. - Undertaking to sell by Madame de Polignac to A. Moussy and AMY SAS bearing on 26,200 AB Science shares which can be exercised at any time at the average market price of 30 trading days prior to sending notification of lifting the undertaking. - Concertation: The parties have agreed to consult one another and thus Madame de Polignac agrees to vote identically to A. Moussy in Ordinary and Extraordinary General Meetings.	31/03/2020

Conclusion date of the agreement	Founders/shareholders concerned	Main clauses	Term of the agreement
10/03/2011	A. Moussy / AMY SAS with the Applied Biology Company	- Number of shares: 92,600 - Undertaking to keep the shares throughout the term of the agreement. - Pre-emptive right: A. Moussy and AMY SAS have obtained a pre-emptive right on 92,600 AB Science shares - Undertaking to sell: Consent to an undertaking to sell by the Applied Biology Company to A. Moussy bearing on 92,600 exercisable AB Science shares. - Concertation: The parties have agreed to consult one another and thus the Applied Biology Company agrees to vote identically to A. Moussy in Ordinary General Meetings.	10/03/2021
10/03/2011	A. Moussy / AMY SAS with O. Marchal	- Number of shares: 16,000. - Undertaking to keep the shares throughout the term of the agreement. - Concertation: The parties have agreed to consult one another and thus O. Marchal agrees to vote identically to A. Moussy in Ordinary General Meetings. - Right of representation on the Board of Directors: If the total equity interest of the represented minority shareholders (the P. Oddo Company, the Beveguissimo Company, the Pagapa Company, Mr O. Marchal) represents at least 10% of the Company's share capital, said represented minority shareholders can ask the Board of Directors to propose at the upcoming General Meeting the appointment of a member to represent them on the Board of Directors.	10/03/2021
10/03/2011	A. Moussy / AMY SAS with the Verfin Company (ex-Enver)	- Number of shares: 69,200 - Undertaking to retain the shares throughout the term of the agreement - Pre-emptive right: A. Moussy and AMY SAS have obtained a pre-emptive right on 69,200 AB Science shares - Undertaking to sell: by the Enver Company to A. Moussy and AMY SAS bearing on 69,200 AB Science shares which can be exercised at any time at the market price offering an internal yield rate of 12% on the disposed shares. - Concertation: The parties have agreed to consult one another and thus the Enver Company agrees to vote identically to A. Moussy in Ordinary General Meetings.	10/03/2021

Conclusion date of the agreement	Founders/shareholders concerned	Main clauses	Term of the agreement
10/03/2011	A. Moussy / AMY SAS avec PD Verspieren	- Number of shares: 28,747 - Commitment to hold shares for the pact's duration - Pre-emptive right: A. Moussy and AMY SAS have obtained a pre-emptive right on 28,747 AB Science shares - Undertaking to sell: by PD Verspieren to A. Moussy and AMY SAS bearing on 28,747 AB Science shares which can be exercised at any time at the market price offering an internal yield rate of 12% on the disposed shares. - Concertation: The parties have agreed to consult one another and thus PD Verspieren agrees to vote identically to A. Moussy in Ordinary General Meetings.	10/03/2021
10/03/2011	A. Moussy / AMY SAS with *Financière IDAT*	- Number of shares: 196,000 - Commitment to hold shares for the pact's duration - Concertation: The parties have agreed to consult one another and thus the Financière IDAT Company agrees to vote identically to A. Moussy in Ordinary General Meetings. - Right of Representation on the Board of Directors: if the total equity interest of the represented minority shareholders (the Financière IDAT Company, the Beveguissimo Company, the Pagapa Company, Mr Olivier Marchal) represents at least 10% of the Company's share capital, said represented minority shareholders can ask the Board of Directors to propose at the upcoming General Meeting the appointment of a member to represent them on the Board of Directors.	10/01/2036
10/03/2011	A. Moussy / AMY SAS with *Financière de l'intendance*	- Number of shares: 190,800 - Commitment to hold shares for the pact's duration - Pre-emptive right: A. Moussy and AMY SAS have obtained a pre-emptive right on 190,800 AB Science shares - Undertaking to sell by Beveguissimo to A. Moussy and AMY SAS bearing on 190,800 AB Science shares which can be exercised at any time at the market price offering an internal yield rate of 12% on the disposed shares. - Concertation: The parties have agreed to consult one another and thus the Beveguissimo Company agrees to vote identically to A. Moussy in Ordinary General Meetings. - Right of Representation on the Board of Directors: if the total equity interest of the represented minority shareholders (the Financière IDAT Company, the Beveguissimo Company, the Pagapa Company, Mr O. Marchal) represents at least 10% of the Company's share capital, said represented minority shareholders can ask the Board of Directors to propose at the upcoming	26/06/2020

Conclusion date of the agreement	Founders/shareholders concerned	Main clauses	Term of the agreement
		General Meeting the appointment of a member to represent them on the Board of Directors.	
11/04/2013	A. Moussy / AMY SAS with JP Kinet / O. Hermine / P. Dubreuil / C. Auclair/ L. Guy	- Undertaking to retain the remainder of the shares resulting from the exercise of certain negotiable securities giving access to the AB Science share capital (BCE2012 and BSA7) after deduction of the disposed shares in order to settle any possible capital gains taxes unless consent is obtained from A. Moussy and AMY SAS and the percentage of shares held by the parties remains greater than 50.01% after disposal and on a basis of total dilution. - Concertation: The parties have agreed to consult one another and to vote identically to A. Moussy or AMY SAS in Ordinary and Extraordinary General Meetings.	11/04/2033
19/11/2013	Alain Moussy / AMY SAS / Laurent Guy	- Undertaking to retain 200,000 shares. - Undertaking to retain two thirds of the remaining shares resulting from the exercise of certain negotiable securities giving access to the AB Science share capital (BCE excluding BCE2012) after deduction of the disposed shares in order to settle any possible capital gains taxes.	01/03/2021
21/11/2017	Alain Moussy / AMY SAS / Laurent Guy	- Undertaking to keep B Shares. - Compulsory concertation for all Ordinary and Extraordinary General Meeting resolutions	31/12/2034
18/08/2019	Alain Moussy / Deltec Bank and Trust Ltd / FGP Protective Opportunity Master Fund SPC / Aurore Invest Fund / KBL European Private Bankers	- Compulsory concertation for all Ordinary and Extraordinary General Meeting resolutions	18/08/2029

These agreements can also be consulted on the AMF website at the following address: http://www.amf-france.org

8.6. Potential capital

As of 31 December 2019, based on a share price of €5,38, the exercise of all of the Company's effectively exercisable instruments gives rise to capital broken down as follows, leading to the creation of new shares as follows:

- Options whose exercise price is greater than or equal to the stock market price and whose exercise conditions are met, subject to vesting conditions:
  - ✓ Staff stock options: 304,131
  - ✓ BSPCE: 2,182,588
  - ✓ BSA (French share warrants): 3,082,593 (including 2,463,054 BSAs entitling holders to acquire 1,231,527 shares)

  Exercise of these BSAs would lead to a €36,207,000 equity increase and a 9% equity dilution.

- There are no BSAs with exercise price above or equal to market price:
  - ✓ Stock options allotted to staff: 131,680

Exercise of these options would lead to an increase in shareholders' equity of €1,919,000 and a capital dilution of 0.3%

- December 2016-issued preference shares entitling holders to convert them into ordinary shares, the terms of which are detailed under paragraph 8.6 hereto:
  - ✓ Preference shares convertible into ordinary shares: 1,947,148
  - ✓ Nominal BSA: 4,506
  - ✓ Capitalised BSA: 233,268

  Exercise of these preference shares and BSAs would lead to a €9,738,000 equity increase and a 4.7% equity dilution.

- Options based on specific performance criteria, the terms of which are specified under paragraphs 11.3, 11.4 and 11.5 hereto:
  - ✓ Stock options allotted to staff: 333,000
  - ✓ BSPCE: 3,118;082
  - ✓ BSA (French share warrants): 4,023;136
  - ✓ Conversion of AGAPs into ordinary shares: 4,145,800

  Exercise of these AGAPs would lead to a €85,468,000 equity increase and a 20.9% equity dilution.

Exercise of these equity instruments and all further allotments or issues would lead to a material equity dilution for shareholders.

Note that should all 18,274,405 warrants be exercised, equity would increase by €133 million.

Date à partir de laquelle les options peuvent être exercées		**31/12/2019**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**
Actions		44 060 297						
Dilution du capital fondée sur le cours de bours au 31/12/19 de 5,38€								
Type d'actions	**Prix d'exercice**							
Options dont le prix d'exercice est inférieur au cours de bourse et dont les conditions d'exercice sont réalisées								
Sous-total		**44 060 297**	**-**	**-**	**-**	**-**	**-**	**-**
Sous-total cumulé		44 060 297	44 060 297	44 060 297	44 060 297	44 060 297	44 060 297	44 060 297
% dilution			**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**
Options dont le prix d'exercice est supérieur ou égal au cours de bourse et dont les conditions d'exercice sont réalisées, sous reserve des conditions de vesting								
Stock-Options	7,14		24 536					
Stock-Options	10,03		875					
Stock-Options	10,18		46 737					
Stock-Options	11,96		44 150					
Stock-Options	12,28		1 000					
Stock-Options	12,65		25 653					
Stock-Options	13,01		9 000					
Stock-Options	15,61		116 000					
Stock-Options	15,80		36 180					
BSPCE	7,68		2 100 000					
BSPCE	12,28		82 588					
BSA (9)	5,50		1 231 527					
BSA	7,68		85 000					
BSA	10,00		60 000					
BSA	10,03		44 336	6 999				
BSA	12,65		7 002	7 002	6 999	6 999	6 999	6 999
BSA	13,30		2 334					
BSA	14,41		9 334	2 333	2 333			
BSA	15,61		332 000					
BSA	15,80		17 585					
BSA	17,98		15 285					
Sous-total			**4 291 122**	**16 334**	**9 332**	**6 999**	**6 999**	**6 999**
Sous-total cumulé		44 060 297	48 351 419	48 367 753	48 377 085	48 384 084	48 391 083	48 398 082
% dilution			**8,9%**	**8,9%**	**8,9%**	**8,9%**	**8,9%**	**9,0%**
Options dont le prix d'exercice est supérieur ou égal au cours de bourse et dont les conditions d'exercice sont ne sont pas réalisées								
Stock-Options	12,00		-			25 120		
Stock-Options	12,65		-			48 500		
Stock-Options	17,29		-	58 060				
Sous-total			**-**	**58 060**	**-**	**73 620**	**-**	**-**
Sous-total cumulé		44 060 297	44 060 297	44 118 357	44 118 357	44 191 977	44 191 977	44 191 977
% dilution			**0,0%**	**0,1%**	**0,1%**	**0,3%**	**0,3%**	**0,3%**
Nombre d'actions maximales potentielles sur options non liées à des critères spéciaux de performance								
Sous-total			**4 291 122**	**74 394**	**9 332**	**80 619**	**6 999**	**6 999**
Sous-total cumulé		44 060 297	48 351 419	48 425 813	48 435 145	48 515 764	48 522 763	48 529 762
% dilution			**8,9%**	**9,0%**	**9,0%**	**9,2%**	**9,2%**	**9,2%**

Actions de préférence relatives à la conversion des obligations convertibles en actions								
Actions de préférence convertibles en actions ordinaires (6)								
Maximum actions ordinaires supplémentaires (base cours à 5€)	5,00			1 947 148				
BSA Nominal (7)	0,01		2 253	2 253				
BSA Capitalisé (8)	0,01			233 268				
Nombre d'actions maximales potentielles sur conversion des obligations			**2 253**	**2 182 669**	**-**	**-**	**-**	
Sous-total cumulé		44 060 297	44 062 550	46 245 219	46 245 219	46 245 219	46 245 219	46 245 21
% dilution			**0,0%**	**4,7%**	**4,7%**	**4,7%**	**4,7%**	**4,7%**

Options fondées sur des critères spéciaux de performance								
Stock-Options	12,00		333 000					
BSPCE [1]	12,50		3 077 528					
BSPCE [1]	18,74		40 554					
BSA [2]	8,92		1 647 024					
BSA [3]	11,00		1 000 000					
BSA [3]	12,00		1 300 000					
BSA [1]	12,50		76 112					
AGAP[4]	0			3 375 100				
AGAP[5]	0				18 000			
AGAP[6]	0					752 700		
Nombre d'actions maximales potentielles sur options liées à des critères spéciaux de performance			**7 474 218**	**3 375 100**	**18 000**	**752 700**	**-**	
Sous-total cumulé		44 060 297	51 534 515	54 909 615	54 927 615	55 680 315	55 680 315	55 680 31
% dilution			**14,5%**	**19,8%**	**19,8%**	**20,9%**	**20,9%**	**20,9%**

Notes:

(1): terms for exercising BSPCEs and BSAs (resolution 17 of the 30 March 2012 AGM, resolutions 3 and 4 of the 15 December 2017 AGM)

Breakdown of the exercisable BSPCE and BSA per beneficiary	**Indication 1**	**Indication 2**	**Indication 3**	**Total**
a) Launch of confirmatory clinical trial	5%	5%	2.5%	12.5%
b) Conditional registration or temporary use of cohort licence obtained *(cap includes any warrants that become exercisable under a) above)*	10%	10%	5%	25%
c) Marketing licence *(cap includes any warrants that become exercisable under a) and b) above)*	20%	20%	10%	50%

Breakdown of the exercisable BSPCE and BSA per beneficiary	**Greater than €100 million**	**Greater than €250 million**	**Greater than €500 million**	**Greater than €1,000 million**	**Total**
Net direct or indirect Masitinib sales	12.5%	12.5%	12.5%	12.5%	50.0%

(2) BSA exercisable if share price is between €30 and €50

(3) Masitinib ALS-registered with the EMA and FDA based on just one AB10015 trial

(4) Including 1,200,000 BSAs conditional on Masitinib ALS-registered with the EMA and FDA and 100,000 BSAs conditional on obtaining a patent concerning an immunotherapy technology based on a viral vector no later than 29 April 2028

(5) (6) (7) Conditions listed in 15.12.2017 AGM resolution 2:

(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 free preference share/ordinary share conversion ratio will be based on the AB Science share price:

The term “purchase price” means €11.24 for the AGAPs (4), €8.62 for the AGAPs (5) and €3.64 for the AGAPs (6), corresponding to the average of the closing market price of the AB Science share during the 20 trading days prior to the purchase date, or the beginning of the period of conservation of the shares (one year after allotment of the free preference share)

The term "final price" refers to the highest average price of AB Science share 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 shares 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 purchased price increased by 20 euros, the conversion ratio will be equal to 100%, which means that each free preference share can be converted into 100 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.

(8) Holders of “Capitalised BSAs” may purchase at nominal value a number of AB Science shares as follows: [2,332,679 / average weighted by the volumes of closing prices in May 2020]. The average of the volumes of the prices of the Company’s share cannot be less than €10. Capitalized BSAs can be exercised from 1 June 2020 to 30 June 2020.

(9) Following the August 2019 share issue to acquire a private fund, 2,463,054 BSAs were issued. BSAs allow subscription for 1,231,527 additional new shares.

The history of the Company's share capital and voting rights at 31 December 2019 is as follows:

	Share capital on 31/12/2019			Potential capital on 31/12/2019		
Shareholder	Registered shares	% of the capital and voting rights		Registered shares	% of the capital and voting rights (1)	
		% of the capital	% of the voting rights		% of the capital	% of the voting rights
- Moussy, Alain	1,255,362	2.85%	3.94%	9,863,109	15.51%	13.55%
AMY SAS	12,273,000	27.86%	39.52%	13,273,000	20.88%	31.30%
Subtotal concert Alain Moussy	**13,528,362**	**30.70%**	**43.46%**	**23,136,109**	**36.39%**	**44.84%**
Investors in the agreement whose equity interest is less than 5%	0	0.00%	0.00%	0	0.00%	0.00%
Other investors who are members of the agreement	**4,956,148**	**11.25%**	**13.56%**	**8,103,111**	**12.75%**	**14.17%**
Shares in the agreement	4,956,148	11.25%	13.56%	8,103,111	12.75%	14.17%
Shares outside the agreement	0	0.00%	0.00%	0	0.00%	0.00%
Total concert	**18,484,510**	**41.95%**	**57.02%**	**31,239,220**	**49.14%**	**59.01%**
Investors in the agreement whose equity interest is less than 5%	0	0.00%	0.00%	0	0.00%	0.00%
Other investors	25,575,787	58.05%	42.98%	32,335,409	50.86%	40.99%
Total	44,060,297	100%	100%	63,574,629	100%	100%

Note: If all objectives conditioning the exercise of options.

8.7. Shareholders' voting right

The voting right attached to the shares is proportional to the portion of capital the shares represent and each of the Company's shares gives a right to at least one share.

Nevertheless, by a decision of the Company's Extraordinary General Meeting of 31 December 2009 and in application of the provisions of the Commercial Code, all shares paid up in full for which proof of registration in name is provided for at least two years in the name of the same shareholder shall benefit, as from 1 April 2010, from a voting right double that which is conferred on shares with regard to the portion of share capital they represent. The first shareholders to benefit from the double voting right benefit therefrom since 1 April 2012.

8.8. Elements likely to have an impact in the event of a takeover bid

Elements likely to have an impact in the event of a takeover bid	Relevant chapter of the management report
- Share ownership	
Capital structure of the company	Chapter 8.4
Direct or indirect shareholdings in the capital of the company known to it	Not Applicable
List of holders of any security with special control rights	Chapter 8.4
- Specific clauses	
Statutory restrictions on the exercise of voting rights and transfers of shares provided for in Company articles or agreements brought to the notice of the Company pursuant to article L. 233-11,	Not Applicable
The control mechanisms provided for in a possible employee shareholding scheme, when the control rights are not exercised by the latter,	Not Applicable
Shareholder agreements known to the company and which may result in restrictions on the transfer of shares and the exercise of voting rights, *Agreements entered into by the company which are modified or terminate in the event of a change in control of the company, unless such disclosure, except in cases of legal disclosure, would seriously harm its interests.*	Chapter 8.5 Not Applicable
- Managing bodies	
The rules applicable to the appointment and replacement of members of the Board of Directors or the executive board as well as to the modification of the company's articles of association,	Chapter 11.7
The powers of the Board of Directors or the executive board, in particular the issue or redemption of shares,	Chapter 7.1
Agreements providing for compensation for members of the Board of Directors or the executive board or employees, if they resign or are dismissed without real and serious cause or if their employment ends due to a takeover bid.	Not Applicable

8.9. Pledged collateral on the Company's securities

Mr Alain Moussy has taken out a personal loan with various banks to finance the purchase of shares in the Company. Mr Alain Moussy has secured a personal loan with 509,865 Company shares.

9. EMPLOYEES AND SALARIED SHAREHOLDERS

9.1. Strength and compensation

At 31 December 2019 the Company had 103 employees, one fourth of whom were in the United States and in Canada.
Breakdown of the employees is as follows:

	31.12.2019	31.12.2018
Sales department	4	6
Drug discovery and clinical department	90	107
Senior management & administration department	9	10
TOTAL	103	123

(€'000)	2019	31.12.2018
Gross pay and benefits	7,361	7,920
Social security charges	2,584	3,298
Share-based pay	119	149
Staff costs	10,064	11,367

2019 Group staff social security charges amounted to €10,064,000, down €1,303,000 year-on-year.

Share-based pay came to €119,000.

9.2. Staff profit-sharing

Employee equity interest in the Company at 31 December 2019 was 35.07% (of which 30.64% was held by Alain Moussy and AMY SAS).

10. AB SCIENCEOTHER DISCLOSURES

10.1. Changes in equity interests

The Company did not acquire any new equity investments during the year.

10.2. Company's research and development activities

2019 and 2018 R&D costs before staff social security charges as a proportion of total operating expenditure came in at 56.08% (€11,316,000), and 71.6% (€22,179,000) respectively.

2019 and 2018 marketing and sales expenses were 5% (€1,021,000) and 3.5% (€1,082,000) respectively.

In terms of organisation, AB Science will continue to outsource, under its control, pharmaceutical production activities as well as the fulfilment of regulatory preclinical studies. The company plans to continue to develop its expertise internally in the field of drug discovery and clinical development.

10.3. Activity of affiliates

The American subsidiary AB Science USA LLC continued its activities of monitoring the Group's clinical studies in the United States and preparing for the use of masitinib in the treatment of mast cell tumour in dogs.
The purpose of the Canadian subsidiary, which was formed in 2017 and started trading in July 2018, is to coordinate clinical research in Canada.

10.4. Settlement periods

- Suppliers:

(A) Late payment instalments

	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 d. and more)
Number of invoices concerned	1,063					896
Total amount of invoices concerned	1,163,777	357,543	147,721	479,537	236,323	1,221,124
Percentage of purchase amount	7.1%	2.2%	0.9%	2.9%	1.4%	7.4%

(B) Excluded invoices relating to disputed debts

Number of invoices excluded	2,818
Total amount of excluded invoices	5,745,977

(C) Terms of payment

Terms of payment used	Contractual deadlines

- Customers:

(A) Late payment instalments

	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total (1 d. and more)
Number of invoices concerned	88					152
Total amount of invoices concerned	97,041	20,880	10,796	-11,692	80,448	100,432
Percentage of turnover	5.9%	1.3%	0.7%	-0.7%	4.9%	6.1%

(B) Excluded invoices relating to contested claims

Number of invoices excluded	0
Total amount of excluded invoices	0

(C) Terms of payment

Terms of payment used	Contractual deadlines

10.5. Earnings for the year and proposed allocation of the result

The result for the year ending 31 December 2019 is a loss of 17,386,626 euros. The company's equity amounted to –14,434,614 euros for the year ending 31 December 2019 for a share capital of 440,603 euros.

Proposed allocation of the result: we propose to allocate this loss to retained earnings which will amount to 230,891,663 euros (debit retained earnings).

10.6. Dividends distributed during the past 3 financial years

In accordance with legal provisions (art 243 Bis of the General Tax Code), it should be noted that the company has not made any dividend distribution during the last three financial years.

10.7. Non-deductible expenses for tax purposes

In accordance with the provisions of article 223 quater of the General Tax Code, it should be noted that there are no expenses for the accounts for the past financial year that are not deductible from profits subject to corporation tax (excess depreciation), referred to in article 39-4 of the General Tax Code.

10.8. Modification of valuation methods

The company has not made any changes to its valuation and accounting methods.

10.9. Economicand Social Committee

The Company has more than 50 employees and is therefore required to set up a social and economic committee. To date, the Social and Economic Committee has not been formed and no employee representative has been appointed as evidenced by the deficiency report drawn up on 16 December 2019.

11. APPENDICES

11.1. Authorised capital not issued for the year ending 31 December 2019

The table below summarises the currently valid delegations of authority and powers.

Delegations of authority granted to the Board of Directors General Meeting of 28 June 2019:	Maximum amount of shares	Maximum amount of increase	Duration of the delegation.	Use of the delegation during the 2019 financial year	
- 14th resolution: Delegation to increase the capital by issuing ordinary shares or transferable securities while maintaining preferential subscription rights	8,319,449	83,194.49	26 months	Not applicable	
- 15th resolution: Delegation to increase the capital by issuing ordinary shares or transferable securities with the waiver of preferential subscription rights, by way of public offer	8,319,449	83,194.49	26 months	Not applicable	
- 16th resolution - Delegation to increase the capital by issuing ordinary shares or transferable securities with the waiver of the shareholders' preferential subscription right in favour of industrial or commercial companies in the pharmaceutical/biotechnology sector or of collective savings fund managers under French law or under foreign law investing in the pharmaceutical/biotechnology sector	8,319,449	83,194.49	18 months	Not applicable	
'- 17th resolution - Delegation to increase the capital by issuing ordinary shares or transferable securities with the waiver of preferential subscription rights by way of private placement	8,319,449	83,194.49	26 months	Allotment 2019	3,694,581
				Balance	4,624,868
- 19th resolution: Authorisation to increase the number of shares during delegations relating to the 14th, 15th, 16th and 17th resolutions with a 15% over-allotment clause	9,567,366	95,673.66	26 months	Not applicable	
- 20th resolution: Overall limitation of authorisations:	9,567,366	95,673.66	-	Allotment 2019	3,694,581
				Balance	5,872,785
- 21st resolution: Delegation to allot free shares preferably convertible into ordinary shares of the company for the benefit of employees and or of company officers of the company	139	1.39	38 months	Not applicable	

- 22nd resolution - Delegation to increase the capital by issuing preference shares with the waiver of preferential subscription rights by way of private placement	6,239,587	62,395.87	26 months	Not applicable	
- 24th resolution: Delegation to issue ordinary share subscription warrants reserved for any contributing business provider specialising in the pharmaceutical/biotechnology sector which has signed a business provider contract with the Company for the purpose of assisting it with its fund raising	50,000	500	18 months	Not applicable	
- 25th resolution: Delegation to issue ordinary share subscription warrants reserved for members of the Board of Directors of the Company and/or its subsidiaries, for members of the committees attached to the Board of Directors of the Company and/or its subsidiaries, for the non-voting members of the Company and/or its subsidiaries and for the consultants of the Company and/or its subsidiaries benefiting from a contract	100,000	1,000	18 months	Allotment 2019	60,000
				Balance	40,000
- 26th resolution: Delegation to issue share issue warrants reserved for a certain category of person	4,130,039	41,300.39	18 months	Not applicable	
- 28th resolution: Delegation to issue share subscription options to employees and/or eligible corporate officers of the Company and/or its subsidiaries	300,000	3,000	38 months	Allotment 2019	59,000
				Balance	241,000

11.2. Stock subscription or purchase options

The stock subscription or purchase options granted by the Company and effective for the year ending 31 December 2018 are described in the table below.
The Company has only granted share subscription options. These give right to ordinary shares.
It should be noted that the difference between the options allotted and the options that can be exercised is explained as follows:

- certain options have lapsed due to loss of the status of employee or corporate officer;
- certain options have lapsed due to the non-achievement of the objectives conditioning their exercise;
- certain options have not been allotted and have expired as a result of the expiration of the authorisation granted by the meeting;
- certain options have not been allotted and have lapsed due to a capping mechanism decided by the meeting and consisting of the total number of securities to be issued as a result of the exercise of authorised share options or authorised share warrants which must not exceed, in total, a certain number fixed by the meeting.

Share subscription or purchase options for the year ending 31 December 2019

Date of issue by the General Meeting	Board of Directors allocation date	Starting date to exercise options	Expiry Date	Number of shares to which each option gives the right	Exercise price of an option	Allotted options	Options that have lapsed or expired	Exercisable options	Exercised options	Subscribable shares on closing date
21/12/2007	16/12/2008	17/12/2011	15/12/2018	1000	7,680.00	66	-60.1	0	5.9	0
	15/09/2009	16/09/2012	14/09/2019	1000	7,680.00	112	-107	0	5	0
	03/02/2010	04/02/2013	02/02/2020	1000	12,280.00	19	-18	1		1,000
	14/10/2008	15/10/2011	13/10/2018	1000	7,680.00	23	-23	0		0
	Back to plan and balance			1000		10	-10	0		0
Total 21/12/2007				1000		230	-218.1	1	10.9	1,000
31/12/2009	29/10/2010	29/10/2014	28/10/2020	1	12.65	97,472	-56,753	40,719	18,037	22,682
	18/03/2010	18/03/2014	17/03/2020	1	15.61	290,000	-174,000	116,000		116,000
	05/09/2011	05/09/2015	04/09/2021	1	7.14	102,102	-62,328	39,774	15,591	24,183
	30/08/2012	29/08/2016	29/08/2022	1	10.18	196,466	-132,374	64,092	17,355	46,737
	17/02/2012	17/02/2016	16/02/2022	1	12.25	14,000	-7,000	7,000	7,000	0
	26/02/2013	26/02/2017	26/02/2023	1	16.89	1,500	-1,500	0	0	0
	Back to plan and balance					26,460	-26,460			
Total 31/12/2009				1		728,000	-460,415	267,585	57,983	209,602
27/02/2010	01/07/2010	01/07/2014	30/06/2020	1	12.65	5,985	-3,874	2,111	285	1,826
	29/10/2010	29/10/2014	28/10/2020	1	12.65	4,015	-1,690	2,325	1,180	1,145
	05/09/2011	05/09/2015	04/09/2021	1	7.14	1,334		1,334	981	353
	30/08/2012	29/08/2016	29/08/2022	1	10.18	1,373	-1,373	0		0
Total 27/02/2010				1		12,707	-6,937	5,770	2,446	3,324

Date of issue by the General Meeting	Board of Directors allocation date	Starting date to exercise options	Expiry Date	Number of shares to which each option gives the right	Exercise price of an option	Allotted options	Options that have lapsed	Exercisable options	Exercised options	Subscribable shares on closing date
18/06/2013	14/05/2014	14/05/2018	13/05/2024	1	11.96	116,335	-71,465	44,870	720	44,150
	29/08/2014	29/08/2018	28/08/2024	1	10.03	10,875	-10,000	875		875
	24/04/2015	24/04/2019	23/04/2025	1	15.8	79,940	-43,760	36,180		36,180
	06/10/2015	06/10/2019	05/10/2025	1	13.01	15,550	-6,550	9,000		9,000
	28/04/2016	28/04/2020	27/04/2026	1	17.29	110,640	-52,580	58,060		58,060
Total 18/06/2013				1		333,340	-184,355	148,985	720	148,265
28/06/2016	30/04/2018	30/04/2022	30/04/2028	1	12.65	53,000	-4,500	48,500		48,500
Total 28/06/2016						53,000	-4,500	48,500		48,500
29/06/2018	06/12/2018	06/12/2022	06/12/2028	1	12.00	25,120		25,120		25,120
	20/05/2019	31/07/2019	31/10/2022	1	12.00	274,000		274,000		274,000
Total 29/06/2018						299,120		299,120		299,120
28/06/2019	10/07/2019	31/07/2019	31/10/2022	1	12.00	59,000		59,000		59,000
Total 28/06/2019						59,000		59,000		59,000
Grand total										768,811

11.3. Information on share warrants

The combined General Meeting of 26 December 2008 decided to issue 85 independent share warrants (called "BSA4") at an issue price of 0.01 euros, each conferring the right to subscribe to 1,000 new ordinary shares with a nominal value of 0.01 euros for an exercise price per BSA of 7,680 euros, including a share premium of 7,670 euros. As of 31 December 2010, the 85 BSAs were allocated and subscribed.

The General Meeting of 31 December 2009 decided to issue 9 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to 1,000 new ordinary shares with a nominal value of 0.01 euros for an exercise price per BSA of 12,280 euros, including a share premium of 12,270 euros. As of 31 December 2010, the 9 BSAs were allotted and subscribed. As the exercise deadline has been reached and the BSAs have not been exercised during the allotted period, the 9 BSAs expired on 31 December 2016.

The General Meeting of 31 December 2009 decided to issue 830,000 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros. The General Meeting of February 27, 2010 fixed the exercise price per BSA at 15.61 euros, including a share premium of 15.60 euros. As of 31 December 2010, the 830,000 were allotted and subscribed. The exercise of the 830,000 BSAs is conditional up to 60% on the sale of masitinib for pancreatic cancer in humans (Registration or Temporary authorisation for group use). At the Board of Directors meeting of 14 December 2015, it was noted that this objective had not been achieved and therefore noted that 498,000 BSAs had lapsed. As the balance of outstanding warrants (332,000) were not exercised during the exercise period, the expiration date of which was 3 February 2016, the Board of Directors therefore noted the lapsing of 332,000 BSAs at the 19 December 2016 meeting.

The General Meeting of 8 September 2010 decided to issue 5,000 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 12.65 euros, including a share premium of 12.64 euros. As of 31 December 2010, the 5.000 BSAs were allotted and subscribed. In 2013, 2,500 were declared expired. The remaining balance is therefore 2,500 BSAs for the year ending 31 December 2017. The Board of Directors noted the expiration of the remaining 2,500 BSAs at the 30 April 2018 meeting. The remaining balance is therefore zero for the year ending 31 December 2018.

The General Meeting of 30 March 2012 decided to delegate its authority to the Board of Directors for the purpose of issuing ordinary shares or securities giving access to the company's capital. The Board of Directors therefore decided on 30 August 2012 to issue 76,112 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 12.50 euros, including a share premium of 12.49 euros. The exercise of these warrants is conditional on the fulfilment of the conditions in note (1) of chapter 8.6 of this report. As of 31 December 2012, the 76.112 BSAs were allotted and subscribed.

The Board of Directors decided on 2 May 2012 to issue and allot 17,585 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 15.81 euros, including a share premium of 15.80 euros. As of 31 December 2012, the 17,585 BSAs were allotted and subscribed.

The General Meeting of 30 March 2012 decided to delegate its authority to the Board of Directors for the purpose of issuing ordinary shares or securities giving access to the company's capital. The Board of Directors therefore decided on 24 May 2013 to issue 15,285 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 17.98 euros, including a share premium of 17.97 euros. As of 31 December 2013, the 15,285 BSAs were allotted and subscribed.

The General Meeting of 27 June 2014 decided to delegate its authority to the Board of Directors for the purpose of issuing ordinary shares or securities giving access to the company's capital. The Board of Directors therefore decided on 29 August 2014 to issue 84,000 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 10.03 euros, including a share premium of 10.02 euros. As of 31 December 2014, the 84,000 BSAs were allotted and subscribed.
In 2015, 25,666 were declared expired. In 2018, 6,999 were declared expired. The balance of BSAs is 51,335 for the year ending 31 December 2019.

On 1 November 2014, the Board of Directors used its authority delegated by the General Meeting of 27 June 2014 to issue and allot 1,647,024 redeemable share warrants (BSAR) at an issue price of 0.16 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 8.92 euros, including a share premium of 8.91 euros. As of 31 December 2015, the 1,647,024 BSAR were allotted and subscribed.
The main characteristics of these BSAR are as follows:

- The subscription of BSARs is subject to the joint signing of a pact at the general meetings of the company with the current majority shareholder (AMY SAS and Alain Moussy) and the signing of an undertaking to retain the shares issued from the BSAR until 30 August 2034.
- The unit subscription price is equal to the average Euronext Paris price over the last thirty trading sessions preceding the date of 31 October 2014, i.e. 8.92 euros, including a share premium of 8.91 euros.
- The BSARs are not be exercisable as long as the average share price of the Company during the last sixty trading days preceding the exercise date is less than 30 euros;
- The BSARs must be exercised if the average share price of the Company during the last sixty trading days preceding the exercise date is greater than 50 euros.

The General Meeting of 27 June 2014 decided to delegate its authority to the Board of Directors for the purpose of issuing ordinary shares or securities giving access to the company's capital. The Board of Directors therefore decided on 31 August 2015 to issue 28,000 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 14.41 euros, including a share premium of 14.40 euros. As of 31 December 2015, the 28,000 BSAs were allotted and subscribed. In 2016, 14,000 BSAs were declared void by the Board of Directors on 30 August 2016. The remaining balance is therefore 14,000 BSAs as of 31 December 2019.

The General Meeting of 28 June 2016 decided to delegate its authority to the Board of Directors for the purpose of issuing ordinary shares or securities giving access to the company's capital. Thus:

- The Board of Directors decided on 30 August 2016 to issue and allot 14,000 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 13.30 euros, including a share premium of 13.29 euros.
  As of 31 December 2016, the 14,000 BSAs were allotted and subscribed.
  In 2018, 11,666 BSAs were declared expired by the Board of Directors on 30 April 2018. The remaining balance is therefore 2,334 BSAs for the year ending 31 December 2019.

- The Board of Directors decided on 19 December 2016 to issue and allot 332,000 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 15.61 euros, including a share premium of 15.60 euros.
  As of 31 December 2017, the 332,000 BSAs were allotted and subscribed.

At the General Meeting of 9 December 2016 it was decided to modify the terms and conditions of the convertible bonds subscribed by the JP SPC 3 Valor Biotech II, JP SPC 3 Valor Biotech III, JP SPC 5 Valor Biotech IV and JP SPC 3 Obo FGP Private Equity funds on 31 May 2013, 28 May 2013, 28 May 2013 and 5 June 2013, respectively and to authorise the conversion of convertible bonds into preference shares, into convertible BSAs, into capitalised BSAs and into nominal BSAs. Thus:

- 60,000 convertible warrants were created allowing the purchase, from 1 January 2017 to 1 January 2026, of one ordinary share of the company for a subscription price of 10 euros.
- 8 nominal BSAs were issued allowing holders during specified periods (1 to 30 June 2017, 2018, 2019 and 2020), to convert their holdings at a fixed exercise price per ordinary share into a number of ordinary shares that will vary based on the stock market price. The selected share price cannot be less than 10 euros. 6 nominal BSAs were declared null and void. The remaining balance is therefore 2 BSAs for the year ending 31 December 2019.
- 4 capitalised BSAs have been created allowing the purchase from 01/06/2020 to 30/06/2020, at a fixed exercise price per ordinary share, of a number of variable ordinary shares based on the stock market price. The selected share price cannot be less than 10 euros.

The General Meeting of 28 June 2017 decided to delegate its authority to the Board of Directors for the purpose of issuing ordinary shares or securities giving access to the company's capital. Thus:

- The Board of Directors decided on 31 August 2017 to issue and allot 39,314 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a

nominal value of 0.01 euros for an exercise price per BSA of 0.01 euros. The exercise period of these warrants is ten years.
As of 31 December 2017, the 39,314 BSAs were allotted, subscribed and exercised in 2018.

- The Board of Directors decided on 18 December 2017 to issue and allocate 1,000,000 stock warrants at an issue price of 0.05 euros, each conferring the right to subscribe to a new common share with a nominal value of 0.01 euros for an exercise price per BSA of 11 euros, including a share premium of 10.99 euros. These share warrants were issued in December 2017 and subscribed in January 2018 by the company Quercegen as part of a collaborative project to assess the clinical development of the combination of masitinib with the compounds of Quercegen. The exercise of these warrants is conditional on the fulfilment of the conditions in note (3) of chapter 8.6 of this report.
- The Board of Directors decided on 29 January 2018 to issue and allocate 200,000 stock warrants at an issue price of 0.05 euros, each conferring the right to subscribe to a new common share with a nominal value of 0.01 euros for an exercise price per BSA of 12 euros, including a share premium of 11.99 euros. These BSAs were allotted respectively to JPL Pharma Consulting (100,000 BSAs) and to MD Consulting, in accordance with the service contracts concluded in January 2018 with these companies. Under the terms of these contracts, 40,000 BSAs are exercisable on the anniversary date of the contract, and the balance of the BSAs is conditional on the fulfilment of the conditions in note (3) of chapter 8.6 of this report. These share warrants were issued in January 2018 and subscribed in July 2018 by the companies MD Consulting and JPL Pharma Consulting.
- The Board of Directors decided on 30 April 2018 to issue and allot 14,000 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 12.65 euros, including a share premium of 12.64 euros.
  As of 31 December 2018, the 14,000 BSAs were allotted and subscribed.

The General Meeting of 29 June 2018 decided to delegate its authority to the Board of Directors for the purpose of issuing ordinary shares or securities giving access to the company's capital. Thus:

- The Board of Directors decided on 26 September 2018 to issue and allot 28,000 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 12.65 euros, including a share premium of 12.64 euros.
  As of 31 December 2018, the 28,000 BSAs were allotted and subscribed.
- The Board of Directors decided on 06 December 2018 to issue and allocate 8,400 autonomous stock subscription warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new common share with a nominal value of 0.01 euros for an exercise price per BSA of 12 euros, including a share premium of 11.99 euros. Such BSAs were issued in December 2018 to Ysopa, a company that was being formed, as part of managing the Company's post-marketing activities.
  As of 31 December 2019, the 8,400 BSAs were allotted but were not subscribed and are thus null and void.
- The Board of Directors decided on 29 April 2019 to issue and allot 1,000,000 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 12 euros, including a share premium of 11.99 euros. These share warrants were issued in April 2019 in favour of the AMY Company. As of 31 December 2019, all these BSAs were allotted and subscribed.
  These BSAs are exercisable under the following conditions:
  - the exercise of 500,000 BSAs is conditional upon registration by the EMA, conditional or not, of masitinib in the treatment of amyotrophic lateral sclerosis on the basis of the only pivotal study AB10015 no later than 29 April 2022;
  - the exercise of 500,000 BSAs is conditional upon registration by the FDA, conditional or not, of masitinib in the treatment of amyotrophic lateral sclerosis on the basis of the only pivotal study AB10015 no later than 29 April 2022;
- The Board of Directors decided on 29 April 2019 to issue and allocate 200,000 autonomous stock subscription warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new common share with a nominal value of 0.01 euros for an exercise price per BSA of 12 euros, including a share premium of 11.99 euros. As of 31 December 2019, all these BSAs were allotted and subscribed. These BSAs were issued for the benefit of the company KPLM as part of the development of cancer vaccine research.
  These BSAs are exercisable under the following conditions:
  - the exercise of 50,000 BSAs is conditional upon registration by the EMA, conditional or not, of masitinib in the treatment of amyotrophic lateral sclerosis on the basis of the only pivotal study AB10015 no later than 29 April 2022;

- the exercise of 50,000 BSAs is conditional upon registration by the FDA, conditional or not, of masitinib in the treatment of amyotrophic lateral sclerosis on the basis of the only pivotal study AB10015 no later than 29 April 2022;
- the exercise of 10,000 BSAs is conditional upon AB Science obtaining a patent for its immunotherapy technology based on a viral vector no later than 29 April 2028;
- the exercise of 90,000 BSAs is conditional upon the valuation of a patent by AB Science for its immunotherapy technology based on a viral vector no later than 29 April 2028, according the following terms; 10,000 BSA2019-B will become exercisable for each payment of one million euros received by AB Science for the use of its immunotherapy technology based on a viral vector;

- The Board of Directors decided on 29 April 2019 to issue and allocate 60,000 autonomous stock subscription warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new common share with a nominal value of 0.01 euros for an exercise price per BSA of 12 euros, including a share premium of 11.99 euros.
  As of 31 December 2019, the 60,000 BSAs were allocated and subscribed.
  These BSAs are exercisable under the following conditions:
  - the exercise of 50% of the BSAs held by each holder is conditional upon registration by the EMA, conditional or not, of masitinib in the treatment of amyotrophic lateral sclerosis on the basis of the only pivotal study AB10015 no later than 29 April 2022;
  - the exercise of 50% of the BSAs held by each holder is conditional upon registration by the FDA, conditional or not, of masitinib in the treatment of amyotrophic lateral sclerosis on the basis of the only pivotal study AB10015 no later than 29 April 2022;

- on 13 August 2019, the Board of Directors decided to issue and allot 2,463,054 independent share warrants. These share warrants confer the right to subscribe to one share upon exercise of 2 share subscription warrants for an exercise price of 5.5 euros per share.

Date of issue (General Meeting)	Date of allocation of securities	Name of beneficiarie	Number of shares to which each warrant gives the right	Exercise price of a warrant	Allocated warrants	Expired warrants	Exercise d warrants	Subscribable shares on closing date
26/12/2008	26/12/2008	Kinet, JP	1000	7,680.00	85			85,000
31/12/2009	03/02/2010	Arys, E.	1000	12,280.00	9	-9		0
		Moussy, A.	1	15.61	830,000	-830,000		0
08/09/2010	05/10/2010	Cottert, Ch	1	12.65	2,500	-2,500		0
30/03/2012	02/05/2012	Pépin G.	1	15.80	17,585			17,585
	30/08/2012	Kinet, JP	1	12.50	76,112			76,112
	24/05/2013	Pépin G.	1	17.98	15,285			15,285
27/06/2014	29/08/2014	Costantini D.	1	10.03	14,000	-11,666		2,334
	29/08/2014	SAS Sixto	1	10.03	14,000	-6,999		7,001
	29/08/2014	O'Neill M.	1	10.03	14,000			14,000
	29/08/2014	Kinet, JP	1	10.03	14,000			14,000
	29/08/2014	Paillaud, G	1	10.03	14,000	-14,000		0
	29/08/2014	Moussy P.	1	10.03	14,000			14,000
	01/11/2014	Benjahad, A.	1	8.92	5,882			5,882
	01/11/2014	Letard, S.	1	8.92	5,882			5,882
	01/11/2014	Moussy, A.	1	8.92	1,617,614			1,617,614
	01/11/2014	Guy, L.	1	8.92	5,882			5,882
	01/11/2014	Turci, S.	1	8.92	5,882			5,882
	01/11/2014	Giorgiutti, P.	1	8.92	5,882			5,882
	31/08/2015	Reverdin, B	1	14.41	14,000			14,000
	31/08/2015	Placet, C.	1	14.41	14,000	-14,000		0
28/06/2016	30/08/2016	Blondel, C	1	13.30	14,000	-11,666		2,334
	19/12/2016	Moussy, A.	1	15.61	332,000			332,000
09/12/2016	09/12/2016	JP SPC 5 Valor Biotech IV:	1	10	37,387			37,387

		BSA fixed conversion parity BSA variable conversion parity	N/A		5	-1		Not determined
	09/12/2016	JP SPC 3 Valor Biotech II: BSA fixed conversion parity BSA variable conversion parity	1 N/A	10	8,979 1			8,979 Not determined
	09/12/2016	JP SPC 3 Obo FGP Private Equity: BSA fixed conversion parity BSA variable conversion parity	1 N/A	10	7,280 1			7,280 Not determined
	09/12/2016	JP SPC 3 Valor Biotech III BSA fixed conversion parity BSA variable conversion parity	1 N/A	10	6,354 5	 -1		6,354 Not determined
28/06/2017	31/08/2017	Deltec Bank and Trust Limited	1	0.01	39,314		39,314	0
	18/12/2017	Quercegen Pharma	1	11	1,000,000			1,000,000
	29/01/2018	JPL Pharma	1	12	100,000		-80,000	20,000
	29/01/2018	MD Consulting	1	12	100,000		-80,000	20,000
	30/04/2018	Riez, N.	1	12.65	14,000			14,000
29/06/2018	26/09/2018	Mourey, E	1	12.65	14,000			14,000
	26/09/2018	Bihr, B.	1	12.65	14,000			14,000
	06/12/2018	Ysopa	1	12	8,400	-8,400		0
	29/04/2019	AMY SAS	1	12	1,000,000			1,000,000
	29/04/2019	KPLM	1	12	200,000			200,000
28/06/2019	29/04/2019	Mourey, E	1	12	10,000			10,000
	29/04/2019	Bihr, B.	1	12	10,000			10,000
	29/04/2019	Reverdin, B	1	12	10,000			10,000
	29/04/2019	Riez, N.	1	12	10,000			10,000
	29/04/2019	Moussy, P	1	12	10,000			10,000
	29/04/2019	O'Neill, M	1	12	10,000			10,000
	17/08/2019	Deltec Bank and Trust LTD	0.5	5.5	679,803			679,803
	17/08/2019	FGP Protective Opp Master	0.5	5.5	724,138			724,138
	17/08/2019	Aurore Invest fund	0.5	5.5	98,522			98,522
	17/08/2019	KBL European Private Bankers	0.5	5.5	73,892			73,892
	17/08/2019	Armistice Capital Master Fund Ltd	0.5	5.5	886,699			886,699
Total								7,105,729

Alain Moussy has 332,000 shares warrants issued in 2016 and subscribed in 2017 and 1,617,614 BSAR issued in 2014 and subscribed in 2015.

11.4. Information on the warrants for business creator shares (BCE)

The Extraordinary General Meeting of 19 September 2003 authorised the Board of Directors to proceed with the free and reserved issue, in one or more instalments, of 785 BCE, each conferring the right to subscribe to 1000 new ordinary shares with a nominal value of 0.01 euros. As of 31 December 2010, 650 BCEs were exercised, and 135 BCEs had lapsed.

The Extraordinary General Meeting of 29 June 2005 authorised the Board of Directors to issue, in one or more instalments, 790 warrants for business creator shares. The subscription price for the 1,000 shares to which each of the BCEs gives right will be equal to 2,300.75 euros or any subscription price for one of the Company's shares

retained when the shares were issued that occurred after 29 June 2005. As of 31 December 2011, 754 BCEs were exercised, and 36 BCEs had lapsed.

The Combined General Meeting of 30 December 2005 decided on the reserved issue of 512 BCEs each conferring the right to subscribe to 1000 new ordinary shares with a nominal value of 0.01 euros for an exercise price per BCE of 2,300.75 euros. As of 31 December 2015, the 512 BCEs were exercised.

The Extraordinary General Meeting of 21 December 2007 authorised the Board of Directors to proceed with the free and reserved issue, in one or more instalments, of 1,570 transferable securities giving access to the capital having the characteristics of warrants for business creator shares ("BCE 2007"), each conferring the right to subscribe to 1000 new ordinary shares with a nominal value of 0.01 euros, for an exercise price per BCE of 7,680 euros, including a share premium of 7,670 euros. As of 31 December 2010, the 1570 BCEs were allotted and subscribed. As of 31 December 2017, 196 BCEs were exercised.

The Extraordinary General Meeting of 26 December 2008 decided to delegate its authority to the Board of Directors for the purpose of subsequent issuance, in one or more instalments, of 851 warrants for business creator shares ("BCE 2008"), each of which giving the right to subscribe to 1,000 new ordinary shares of the Company with a nominal value of 0.01 euros, for an exercise price per BCE of 7,680 euros, or any subscription price of one Company share retained during the issue of shares taking place after 26 December 2008. As of 31 December 2015, 50 BCEs had lapsed, 65 BCEs were exercised and 736 BCEs remained allotted and subscribed.

The Extraordinary General Meeting of 31 December 2009 decided to delegate its authority to the Board of Directors for the purpose of subsequent issuance, in one or more instalments, of 72,588 warrants for business creator shares ("BCE 2010"), each of which giving the right to subscribe to one new ordinary share of the Company with a nominal value of 0.01 euros, for an exercise price per BCE of 12.28 euros, including a share premium of 12.27 euros. As of 31 December 2011, the 72.588 BCEs were allotted and subscribed.

The Extraordinary General Meeting of 30 March 2012 decided to delegate its authority to the Board of Directors for the purpose of subsequent issuance, in one or more instalments, of 3,158,635 warrants for business creator shares, each of which giving the right to subscribe to one new ordinary share of the Company with a nominal value of 0.01 euros. As of 31 December 2015, 81,108 BCE 2012 had lapsed and 3,118,082 BCEs were allotted and subscribed, divided into 3,077,528 BCE 2012 and 40,554 BCE 2013. The 2012 BCE and the 2013 BCE have the same characteristics with the exception of the exercise price (12.50 euros for the 2012 BCE and 18.74 euros for the 2013 BCE) and are as follows:

The beneficiaries' right to exercise these BCEs is conditional on the fulfilment of the conditions described in note (1) of chapter 8.6 of this report.

Warrants for business creator shares

Date of issue by the General Meeting	Date of allocation of securities	Name of beneficiaries	Number of shares to which each warrant gives the right	Exercise price of a warrant	Allocated warrants	Expired warrants	Exercised warrants	Subscribable shares on closing date
30/12/2005	30/12/2005	Guy, Laurent Moussy, Alain	1000	2,300.75	512		512	0
Subtotal					**512**		**512**	**0**
21/12/2007	17/06/2008	Guy, Laurent	1000	7,680.00	1,191		114	1,077,000
		Moussy, Alain	1000	7,680.00	906			906,000
	16/12/2008	Guy, Laurent Moussy, Alain	1000	7,680.00	379		82	297,000
Subtotal					**1,570**		**196**	**1,374,000**
26/12/2008	13/01/2009	Chapuis, Christophe Guy, Laurent Moussy, Alain	1000	7,680.00	651	-45	65	541,000
	19/11/2009	Guy, Laurent Moussy, Alain	1000	7,680.00	185			185,000
	03/02/2010	Chapuis, Christophe	1000	12,280.00	15	-5		10,000
Subtotal					**851**	**-50**	**65**	**736,000**
31/12/2009	03/02/2010	Bellamy, François Guy, Laurent Moussy, Alain	1	12.28	72,588			72,588
Subtotal					**72,588**			**72,588**
30/03/2012	30/08/2012	Guy, Laurent Moussy, Alain Hermine, Olivier Dubreuil, Patrice Auclair, Christian Grillet, Marie-Hélène Benjahad, Abdellah F. Montestruc Mansfield, Colin	1	12.50	3,158,636	-81,108		3,077,528
Subtotal					**3,158,636**	**-81,108**		**3,077,528**
30/03/2012	22/04/2013	Guy, Laurent Moussy, Alain Hermine, Olivier Dubreuil, Patrice Auclair, Christian	1	18.74	40,554			40,554
Subtotal					**40,554**			**40,554**
Total								**5,300,670**

11.5. Information on free preference shares

The Extraordinary General Meeting of 9 December 2015 decided to delegate its authority to the Board of Directors for the purpose of issuing free preference shares. Thus, on 16 December 2015, the Board of Directors decided to allot, free of charge, 33,999 free preference shares with a nominal value of 0.01 euros, convertible into a maximum of 3,399,900 ordinary shares, existing or to be issued by the company. for the benefit of employees and/or corporate officers of the Company.
The number of shares definitively allotted in the 2016 fiscal year by the Board of Directors on 19 December 2016 was 33,751 free preference shares and in the 2017 fiscal year, by the Board of Directors on 28 December 2017, was 180 free preference shares.

The Extraordinary General Meeting of 28 June 2017 decided to delegate its authority to the Board of Directors for the purpose of issuing free preference shares. Thus, on 28 December 2017, the Board of Directors decided to allot, free of charge, 7,550 free preference shares with a nominal value of 0.01 euros, convertible into a maximum of 755,000 ordinary shares, existing or to be issued by the company. for the benefit of employees and/or corporate officers of the Company.
The number of shares definitively allotted by the Board of Directors on 23 January 2019 is 7,527 free preference shares.

The terms and conditions of free preference shares were modified by the Combined General Meeting of 15 December 2017 (resolution 2) and are as follows:

(A) If a phase III study is successful, excluding mastocytosis and amyotrophic lateral sclerosis, the percentage of preference shares that can be converted into ordinary shares will be 53%
(B) If two phase III studies are successful, excluding mastocytosis and amyotrophic lateral sclerosis, the percentage of preference shares that can be converted into ordinary shares will be 83%
(C) If three phase III studies are successful, excluding mastocytosis and amyotrophic lateral sclerosis, the percentage of preference shares that can be converted into ordinary shares will be 100%

The objectives must be achieved before 31 December 2024.
The free preference share/ordinary share conversion ratio will be based on the AB Science share price:
The term “purchase price” means € 11.24 for the AGAPs allotted by the Board of Directors on 19 December 2016, € 8.62 for the AGAPs allotted by the Board of Directors on 28 December 2017 and € 3.64 for the AGAPs allotted by the Board of Directors on 23 January 2019, corresponding to the average closing price of the AB Science stcok 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 preference shares)
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 preference shares 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 preference share can be converted into 100 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.

11.6. Table for the last five financial years (AB Science SA company accounts)

TYPE OF INFORMATION	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019
I. Financial position at year end					
a) Share capital	350,059.56	385,725.32	415,504.02	415,972.43	440,602.97
b) Number of shares issued	35,005,956	38,572,532	41,550,402	41,597,243	44,060,297
c) Number of bonds convertible into shares	1,076,617	0	0	0	0
II. Overall result of actual operations					
a) Turnover before taxes	2,269,058	1,507,667	1,738,793	1,700,542	1,571,190
b) Income before tax, depreciation, amortisation and provisions	-32,135,599	-32,974,338	-34,559,628	-33,637,650	-20,635,993
c) Income taxes	-5,485,797	-6,898,655	-6,418,951	-5,679,127	-4,121,554
e) Income after tax, depreciation, amortisation and provisions	-26,478,431	-27,270,721	-28,058,770	-28,639,599	-17,308,432
f) Amount of distributed profits	0	0	0	0	0
III. Result of operations per share					
e) Income after tax, but before depreciation, amortisation and provisions	-0.76	-0.68	-0.68	-0.67	-0.37
b) Income after tax, depreciation, amortisation and provisions	-0.76	-0.71	-0.68	-0.69	-0.39
c) Dividend paid for each share					
IV. Personnel					
a) Number of employees	125	124	111	118	106
b) Amount of total payroll	6,770,118	6,851,169	6,061,618	7,484,233	6,842,661
c) Amount paid for social benefits	2,842,227	2,829,172	2,429,635	3,069,575	2,484,125

11.7. Loans between partner companies

The AB Science Group has not granted loans for less than two years as an accessory to its main activity, to micro-enterprises, SMEs or mid-cap companies with which it maintains economic ties justifying it.

REPORT OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE

Introduction

This report was prepared by the Chairman of the Board of Directors and approved by the Board of Directors on 30 April 2020 in accordance with the provisions of article L. 225-37 of the French Commercial Code. Its objective is to report on the composition, the conditions of preparation and organisation of the work of the Board of Directors, the internal control and risk management procedures implemented within the Company, any limitations on the powers of the Managing Director, as well as the principles and rules adopted by the Board of Directors to determine the compensation and benefits of any kind granted to corporate officers. It is provided in addition to the management report, in which the information provided for in Article L. 225-100-3 of the French Commercial Code is included.

In terms of corporate governance, the Company follows the MEDEF (French Business Confederation) and AFEP (French Association of Large Companies) corporate governance principles of listed companies, insofar as these principles are compatible with the organisation, size, resources and shareholder structure of the Company.

For the development, implementation and description of its internal control and risk management system, the Company relies on the reference framework proposed by the Autorité des Marchés Financiers (French Financial Markets Regulator) for small and medium sized companies.

The table below indicates the recommendations of the AFEP-MEDEF code not applied:

Reference of the code	AFEP-MEDEF code recommendations	Clarifications
5	Separation of the functions of Managing Director and Chairman of the Board of Directors	The company has chosen in the context of the exercise of its rights not to separate the functions of Chairman of the Board of Directors and Managing Director. Mr Alain Moussy is therefore the Managing Director and Chairman of the Company.
22	Termination of the employment contract in the event of a corporate mandate	Mr Alain Moussy has held the position of Scientific Director since January 2004 and therefore has an employment contract as such. Mr Alain Moussy actually oversees all of the company's research and clinical development activities. The Chief Pharmacist, Mr Denis Gicquel, linked to the company by an employment contract is Deputy Managing Director due to the regulations of the health code.

1 CORPORATE GOVERNANCE

1.1 Composition of the Board of Directors

As of 31 December 2019, the Board of Directors was made up of six directors (including the Chairman) and one censor.

1.1.1. Directors' Biographies

- Alain Moussy

Alain Moussy has been the Chairman and Managing Director since 11 July 2001. His term of office will expire at the end of the General Meeting called to approve the accounts for the year ended 31 December 2017. Alain Moussy has an engineering degree (ENSTA) and a master degree from Wharton (MBA 1993). He was a consultant for Booz, Allen & Hamilton then Head of Corporate Development at Carrefour. He is President of AFIRMM, an association of patients suffering from mastocytosis.

- Patrick Moussy

Patrick Moussy has been an AB Science SA Director since 11 July 2001. His term of office as Director will expire at the end of the General Meeting called to approve the accounts for the year ended 31 December 2021. Patrick Moussy has an engineering degree (ENSCI). He is an engineer at the Blin Institution and an instructor pilot.

- Jean-Pierre Kinet

Jean-Pierre Kinet has been an AB Science SA Director since 11 July 2001. His term of office as Director will expire at the end of the General Meeting called to approve the accounts for the year ended 31 December 2021. Jean-Pierre Kinet is a doctor, professor of Pathology at Harvard Medical School.
He also has extensive experience in the research and development of molecules. He is Chairman of IXLife.

- Brigitte Reverdin

Brigitte Reverdin has been an AB Science SA Director since 31 August 2015, replacing Guy Paillaud. Her term of office as Director will expire at the end of the General Meeting called to approve the accounts for the year ended 31 December 2022. Brigitte Reverdin is a former banker and founder of the Consulting Market Trends company.

- Nathalie Riez Thiollet

Nathalie Riez has been an AB Science SA Director since 27 October 2017, replacing Christine Blondel. Her term of office as Director will expire at the end of the General Meeting called to approve the accounts for the year ended 31 December 2022. Nathalie Riez is a Director at RCI, a subsidiary of Renault and Director of Impak Finance Europe.

- Emmanuelle Mourey

Emmanuelle Mourey has been an AB Science SA Director since 29 June 2018. Her term of office as Director will expire at the end of the General Meeting called to approve the accounts for the year ended 31 December 2023. Emmanuelle Mourey is Chairperson of the Executive Board of La Banque Postale Asset Management

1.1.2. The Censor’s biography

Ms Béatrice Bihr was appointed at the General Meeting of 29 June 2018 to replace the company Sixto SAS as censor for a period of three years, a mandate which will expire at the end of the General Meeting called to approve the financial statements for the year ended 31 December 2020.
Ms Béatrice Bihr is a graduate of HEC, a lawyer at the Paris and New York bars. She is Secretary General at TEVA France

1.1.3. Directors’ independence

The company has three independent Directors (Brigitte Reverdin, Nathalie Riez and Emmanuelle Mourey) among the six Directors in total. The independent Directors thus make up 50% of the Board.
The criteria used by AB Science to define an independent director are as follows:
- A director is considered independent if he/she has no relationship of any kind whatsoever with the company, its group or its management, which could compromise his/her free judgment.
- A director representing major shareholders of the company can be considered independent as soon as these shareholders do not participate in the control of the company and hold less than 10% in capital or voting rights.

- Alain Moussy is not independent because of his position as Managing Director of the company and the signing of the founding pact.
- Patrick Moussy is not independent because of his family ties
- Jean-Pierre Kinet is not independent because he signed the founding pact

In accordance with the provisions of the Company's internal regulations, each director must inform the Board of any conflict of interest situation, even potential, with the Company and its subsidiaries, and must refrain from participating in the discussion and vote for the corresponding resolution. During the year, no director declared a conflict of interest.

To the best of the Company's knowledge, there is no family link between the Company's corporate officers, with the exception of links between Alain Moussy and Patrick Moussy.

1.1.4. No criminal conviction

To the best of the Company's knowledge, no corporate officer in office during 2018 was:

- convicted for fraud for the last five years at least;
- subject to bankruptcy, receivership or liquidation in the past five years at least;
- charged with and/or publicly sanctioned for an offence by statutory or regulatory authorities during the last five years at least.

Lastly, to the best of the Company's knowledge, no corporate officer in office during 2017 has been barred by a court order from serving as a member of an administrative, management or supervisory body of an issuer or from participating in the management or governance of an issuer during the last five years at least.

1.2. Operation of the Board of Directors

The operation of the Board of Directors of the Company and its working committees is governed by internal regulations which were updated on 16 June 2010.

These internal regulations include provisions notably on:

1.2.1. Tasks of the Board of Directors

The Board of Directors determines the Company’s business strategy and oversees its implementation. It deals with any question concerning the smooth running of the Company and settles, by its deliberations, the matters which concern it. In this context, the Board, in particular:

- deliberates on the strategy of the Company and on the operations resulting therefrom;
- designates the corporate officers responsible for managing the company and oversees their management;
- monitors the quality of the information provided to shareholders as well as to the markets, in particular through accounts and the annual report or during very significant transactions.

1.2.2. Composition, operating procedures and tasks of the Scientific Committee

The purpose of the Scientific Committee is to set the main scientific direction of the Company. To this end:

- it suggests methods and strategies for achieving the Company's technological objectives;
- it assesses work carried out by the Company and results obtained;
- it confirms the strategic scientific selections and directions, in particular those selected and implemented by the Scientific Director of the Company.

The Scientific Committee is made up of five members appointed by the Board of Directors for a period of three years. It meets officially if at least three of its members are present.

The Scientific Committee meets at its Chairman's request or at the request of the Chairman of the Board of Directors. All of the Company's scientific department's work and its objectives are presented to it at these meetings.

The Chairman of the Scientific Committee or a member of the committee designated for this purpose by the Committee reports to the Board of Directors on its work, conclusions and proposals. The Scientific Committee informs the Board of Directors of its opinions and shares any observations and recommendations useful for the Board's deliberations. The Board of Directors approves these proposals.

1.2.3. Constitution, composition, operating procedures and tasks of the Finance Committee

The Finance Committee reviews the budget and the annual accounts with the officers of the Company and also acts as an audit committee. The Finance Committee ensures the accuracy of the financial statements, the quality of internal control, the quality of the information provided to the public and the proper exercise by the statutory auditors of their task. As such, the Finance Committee issues opinions, proposals and recommendations to the Board of Directors.

The responsibilities of the Finance Committee are as follows:

- to assess the existence and relevance of the financial control and internal audit procedures;
- to assess the relevance of the Company's accounting policy;
- to examine the annual accounts and the consolidated accounts of the Company and the annexed documents, in particular those issued by the statutory auditors. The report it produces on the accounts is communicated to the Board of Directors;
- to ensure the relevance and review the changes and adaptations of the accounting principles and rules used in the preparation of the accounts;
- to ensure the independence and competence of the statutory auditors;
- to review any question of a financial or accounting nature submitted to it by the Chairman of the Board of Directors and Managing Director, as well as any question of conflict of interest of which it is aware;
- to review the significant risks for the Company, and in particular the risks and commitments off balance sheet.

The Finance Committee is made up of two members appointed by the Board of Directors for a period of three years. It only officially meets when the two members are present.

The Finance Committee meets at least twice a year, once before the Board of Directors convenes the Annual General Meeting and sets the agenda for this meeting. It reviews the draft resolutions relating to questions falling within its area of competence. It meets as often as necessary at its Chairman's request or at the request of the Chairman of the Board of Directors.

The Chairman of the Finance Committee or a member of the committee designated for this purpose by the Committee reports to the Board of Directors on its work, conclusions and proposals. The Finance Committee informs the Board of Directors of its opinions and shares any observations and recommendations useful for the Board's deliberations. The Board of Directors approves these proposals.

1.2.4. Constitution, composition, operating procedures and tasks of the Compensation and Appointments Committee

The responsibilities of the Compensation Committee are as follows:

- In terms of compensation, the Compensation and Appointments Committee has the following responsibilities:
  - It makes recommendations and proposals to the Board of Directors concerning compensation, the pension and benefits scheme, non-cash benefits and other financial entitlements, including in the event of the Directors, the Chairman, the Managing Director, as well as the main executives of the Company terminating their employment;
  - It makes recommendations and proposals to the Board of Directors concerning the issuance of an overall package of subscription or purchase stock options and/or free shares of the Company to managers and executives of the Company, as well as the general conditions of these allocations;
  - It provides an opinion to the Board of Directors on the general management's proposals concerning the number of beneficiaries.

- In terms of appointments, the Compensation and Appointments Committee has the following responsibilities:
  - It provides proposals on the selection of directors;
  - It reviews all applications for directorships and provides an opinion and/or recommendation on these applications to the Board of Directors;
  - It prepares recommendations and opinions in good time regarding the appointment or succession of executive directors;

The Compensation and Appointments Committee is made up of two members appointed by the Board of Directors for a period of three years. The Committee meets officially if at least two of its members are present.

No director is permitted to attend the deliberations of the Compensation and Appointments Committee which are related to their own situation.

The Compensation and Appointments Committee meets at least once a year, normally before the Board of Directors convenes the Annual General Meeting and sets the agenda for this meeting. It reviews the draft resolutions relating to questions falling within its area of competence. It meets as often as necessary at its Chairman's request or at the request of the Chairman of the Board of Directors.

The Chairman of the Compensation and Appointments Committee or a member of the committee designated for this purpose by the Committee reports to the Board of Directors on its work, conclusions and proposals. The Compensation and Appointments Committee informs the Board of Directors of its opinions and shares any observations and recommendations useful for the Board's deliberations. The Board of Directors approves these proposals.

1.3. Compensation of members of the Board of Directors

AB Science directors are not compensated for their directorship.

1.4. Main statutory provisions

The Company is administered by a Board of Directors of at least three members and at most eighteen, subject to the exceptions provided for by law, appointed or renewed by the ordinary General Meeting of shareholders. In the event of a merger or spin-off, appointments may be made by the extraordinary General Meeting deciding on the transaction.

The directors can be natural or legal persons. No one can be appointed director if they are over the age of sixty-five and their appointment results in more than one third of the members of the Board being over that age. The number of directors over the age of sixty-five may not exceed one third of the members of the Board of Directors. If this limit is reached, the oldest director is deemed to have automatically resigned. The term of office of directors is six years; the term ends at the end of the Ordinary General Meeting set up to decide on the accounts of the past financial year and held in the year during which their mandate expires. The number of directors linked to the Company by an employment contract may not exceed one third of the directors in office.

The Board of Directors elects a Chairman from among its members, who must be a natural person for the appointment to be valid. It determines his/her compensation. The Chairman is appointed for a term which cannot exceed that of his or her directorship. He/she can be re-elected. The Board can revoke it at any time. A person cannot be appointed Chairman if they are over the age of sixty-five. If the Chairman reaches that age while in office, he/she is deemed to have automatically resigned. In the absence of the Chairman, the Board appoints a chairman from among its members.

The Board of Directors meets as often as it is in the interest of the Company, when convened by its Chairman. The Managing Director, or, if the Board has not met for more than two months, at least one third of the directors, may ask the Chairman, who is bound by this request, to convene the Board of Directors for a specific agenda. Directors may be assisted by their advisers at meetings of the Board of Directors. Meetings are convened by any means, even verbally. The meeting takes place either at the registered office or at any other location indicated in the meeting notice. The Board can only officially deliberate on matters if at least half of the directors are present. Decisions are made by majority vote of the members present or represented. In the event of a tie, the Chairman's vote does not count.

An attendance sheet is signed by the directors participating in the Board meeting, either in person or by proxy.

The deliberations of the Board of Directors are noted in the minutes drawn up in accordance with the legal provisions in force and signed by the Chairman of the meeting and at least one Director. If the Chairman is unable to attend, it is signed by at least two Directors.

Copies or extracts of these minutes are certified by the Chairman of the Board of Directors, the Managing Director, the Director temporarily delegated to the functions of Chairman or an authorised representative authorised for this purpose.

1.5. Assessment of the functioning of the Board of Directors

The composition of the Board of Directors reflects the shareholder structure of AB Science. The Directors combine skills and complementary expertise useful for the successful development of AB Science. They act in the best interest of the company and that of all shareholders. In addition, five of the six directors are external to the company, which is a percentage that goes beyond the AFEP-MEDEF report recommendations.

Three specialised committees - Finance Committee, Compensation and Appointments Committee, Scientific Committee - have been set up to deal with specific issues. They are made up of competent directors and experts on subjects falling within the competence of each committee. All meetings of these committees had an average attendance rate of 90%.

1.6. Meetings of the Board of Directors

During 2019, the Board of Directors of the Company met six times:

Meeting dates of the Board of Directors	**Number of participating directors**	**Total number of directors**
23 January 2019	6	6
13 February 2019	5	6
29 April 2019	6	6
15 May 2019	6	6
13 August 2019	5	6
30 September 2019	5	6
Percentage	**91.67%**	

The main topics deliberated by the Board of Directors of the Company during the 2019 financial year were the approval of the corporate and consolidated accounts, the preclinical and clinical development programmes and the company's activity in general, the compensation of the Chairman and Managing Director, the issue of share subscription warrants, stock options, share issuance rights and new shares, the review of regulated agreements.

To prepare for the Board meeting, a detailed agenda as well as the minutes of the previous board meeting and any other document necessary or useful for the deliberations of the Board of Directors is sent to the Directors and Censors, several days before the meeting.

At the end of the Board meetings, a draft report is drawn up by a Secretary appointed during the Board meeting. This draft report is then sent to the members of the Board. It is approved and signed after corrections, if any, by the members.

In accordance with article L.823-17 of the French Commercial Code, the Statutory Auditors were called to meetings of the Board dealing with the approval of the annual and semi-annual corporate and consolidated accounts.

1.7. Composition and operation of the committees

The Board of Directors has three Committees, the operation of which is governed by the internal rules of the Board of Directors: the Scientific Committee, the Finance Committee, and the Compensation and Appointments Committee.

1.7.1. Scientific Committee

The Scientific Committee, co-chaired by Jean-Pierre Kinet and Olivier Hermine, has the following members:

- Christian Auclair, doctor of pharmaceutical sciences, former intern of Paris hospitals, University professor. Christian Auclair is the author of more than 120 publications and holds numerous patents in the field of molecular and cellular pharmacology applied to oncology and virology. He is the director of the biology department of the Advanced Teachers' Training College of Cachan and for 15 years managed a CNRS unit located at the Gustave Roussy Institute and then at the ENS in Cachan. He is co-founder and director of studies at the doctoral school of cancerology at the Paris-Sud XI medical school. He was deputy director of the CNRS life sciences department from 1996 to 2000.

- Patrice Dubreuil: doctor of immunology, level 1 research director at Inserm (Head of the molecular and functional haematopoiesis laboratory), and author of 110 publications, he has recognised expertise in the field of signal transduction and tyrosine kinases.

- Olivier Hermine, doctor, professor of haematology at the V-René Descartes Paris University, head of the adult haematology department of Necker Hospital in Paris. He is also responsible for a research group called "Cytokines - Viruses - Immune response and normal and pathological haematopoiesis" within the unit CNRS-UMR 8147, and author of more than 260 scientific publications in the field of blood diseases. He was awarded the 2008 Jean Bernard prize.

- Jean-Pierre Kinet, doctor, professor of Pathology at Harvard Medical School and director of the Laboratory of Immunology at the Beth Israel Deaconess Medical Center (Boston - USA). He is a member of several international committees, including the expert panel of the National Institutes of Health (NIH) in the United States. He also has extensive experience in the research and development of molecules. He is a member of the Board of Directors.

During the 2019 financial year, the Scientific Committee met twice with an attendance rate of 100%.

1.7.2. Finance Committee

The Finance Committee was set up by the Board of Directors on 15 December 2009 as part of a change in the Company's governance rules.

The Finance Committee has three members:
- Ms Nathalie Riez, Director
- Ms Emmanuel Mourey, Director
- Ms Béatrice Bihr, Censor

The Finance Committee is chaired by Ms Nathalie Riez. It met in 2019 for the review of the 2018 annual accounts and for the review of the 2019 half-year accounts, as well as for the review of the company's continuity plan.

1.7.3. Compensation and Appointments Committee

A Compensation and Appointments Committee was set up on 15 December 2009 as part of a change in the Company's governance rules.

This committee has three members:

A Compensation and Appointments Committee was set up by the Board of Directors, with three members:
- Ms Brigitte Reverdin, Director
- Ms Béatrice Bihr, Censor
- Mr Matthieu O'Neill, Independent Person,

Brigitte Reverdin chairs the Compensation and Appointments Committee.

The Compensation and Appointments Committee met four times in 2019 with 100% attendance.

1.8. Shareholder participation in General Meetings

At the General Meeting of 28 June 2019, the shareholders present or represented made up 46.02% of the total number of shares and 61% of the voting rights of the Company.

In each of these General Meetings, the shareholders had the option to vote by mail, to give a mandate to the Chairman of the Meeting or to attend the Meeting in person.
Article 22 of the company's articles of association states how shareholders can participate in General Meetings.
All the resolutions presented were adopted, each time by a significant majority.

1.9. Elements likely to have an impact in the event of a takeover bid

Elements likely to have an impact in the event of a takeover bid are as follows:

Elements likely to have an impact in the event of a takeover bid	Relevant chapter of the management report
- Share ownership	
Capital structure of the company	Chapter 8.4
Direct or indirect shareholdings in the capital of the company known to it	Not Applicable
List of holders of any security with special control rights	Chapter 8.4
- Specific clauses	
Statutory restrictions on the exercise of voting rights and transfers of shares provided for in Company articles or agreements brought to the notice of the Company pursuant to article L. 233-11,	Not Applicable
The control mechanisms provided for in a possible employee shareholding scheme, when the control rights are not exercised by the latter,	Not Applicable
Shareholder agreements known to the company and which may result in restrictions on the transfer of shares and the exercise of voting rights,	Chapter 8.5
Agreements entered into by the company which are modified or terminate in the event of a change in control of the company, unless such disclosure, except in cases of legal disclosure, would seriously harm its interests.	Not Applicable
- Managing bodies	
The rules applicable to the appointment and replacement of members of the Board of Directors or the executive board as well as to the modification of the company's articles of association,	Chapter 11.7
The powers of the Board of Directors or the executive board, in particular the issue or redemption of shares,	Chapter 7.1
Agreements providing for compensation for members of the Board of Directors or the executive board or employees, if they resign or are dismissed without real and serious cause or if their employment ends due to a takeover bid.	Not Applicable

2 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

During the 2010 fiscal year, the year it was listed on Euronext, the company implemented internal control procedures. This internal control system implemented by the company is based on the recommendations made in “the internal control reference framework: implementation guide for small and medium sized companies” published by the French Financial Markets Authority (AMF) on 9 January 2008, updated and published on 22 July 2010.

The system is applicable to the parent company AB Science SA and its subsidiaries.

2.1 Company objectives for internal control

The purpose of internal control is:

- to ensure that management action, the carrying out of operations and employee behaviour fall within the framework of respect of the regulations and the principles to which the Company wishes to comply,
- to check that the accounting, financial and management information communicated to the corporate bodies of the Company is an accurate reflection of its activity and its situation, and
- to ensure the implementation of policies to identify, prevent and manage the main risks within the Company.

The Company's internal control process is essentially based on human resources. If therefore reasonable assurance is given, this is considered sufficient as the process is not intended to totally control the risks affecting the Company.

2.2 Organisation of the internal control

The Board of Directors is the key player in internal control. It has adopted internal rules of procedure that establish, in particular, the responsibilities and operating procedures of the Scientific Committee, the Finance Committee and the Compensation and Appointments Committee.

The Finance Committee, which acts in an advisory capacity to the Board of Directors, is in particular responsible within the framework of the internal control system:

- to assess the existence and relevance of the financial control and internal audit procedures;
- to assess the relevance of the Company's accounting policy;
- to ensure the relevance and review the changes and adaptations of the accounting principles and rules used in the preparation of the accounts;
- to review the significant risks for the Company, and in particular the risks and commitments off balance sheet.

The Compensation and Appointments Committee, which acts in an advisory capacity to the Board of Directors, is in particular responsible for formulating within the framework of the internal control system:

- the recommendations and proposals concerning compensation, the pension and benefits scheme, non-cash benefits and other financial entitlements, including in the event of the Directors, the Chairman, the Managing Director, as well as the main executives of the Company terminating their employment;
- the recommendations and proposals concerning the issuance of an overall package of subscription or purchase stock options and/or free shares of the Company to managers and executives of the Company, as well as the general conditions of these allocations;
- the proposals on the selection of directors;
- the recommendations and opinions regarding the appointment or succession of executive directors.

2.3 Dissemination of information

The company follows strict rules regarding the dissemination of information.

All employees have a contractual commitment to confidentiality with regard to certain information and all employees are regularly informed of their confidentiality and discretion obligations with regard to "so-called privileged information". A “insider” list has been put in place and is kept up to date.

Press notices are sent out regularly. They are drawn up internally and are subject to a double review by the departments involved and general management.

Information about the company can be accessed at the internal site www.ab-science.com.

2.4 Risk management

In its risk review, the company relies in particular on the internal control reference framework defined by the AMF for medium and small sized companies.

Faced with a certain number of these risks, the Company adopts a precautionary approach in terms of insurance and risk coverage. AB Science believes that its current insurance coverage is suitable for all operations.

While assessing the annual accounts, the Statutory Auditors also review the internal control procedures. The conclusion of this work is presented to the Finance Department and allows Internal Control stakeholders to improve the risk identification system. The responses provided by management are compared to the corrective action plan.

The main risks identified are:

- Strategic risks
  - risks of failure or delay in the development of the Company's products;
  - risk of dependence on masitinib;
  - risks related to the need of financing the Company's activity;
  - risks linked to government grants and the research tax credit;
  - risks related to the need to retain, attract and retain key personnel;
  - risks related to the management of the Company's internal growth;
  - risks related to the regulatory environment;
  - risks related to changes in drug reimbursement policies;
  - risks related to the lack of commercial success of its products;
  - risks linked to the holding by the founders of a significant percentage of the capital and voting rights of Company.

- Operational risks
  - risks related to dependence on third parties
  - risks related to using an unreliable result or information
  - industrial risks linked to the environment or the use of dangerous substances
  - risks related to information systems

- Regulatory and legal risks
  - risks related to the regulatory environment;
  - risks relating to Company patents and those of third parties;
  - risks linked to the Company's accountability with regard to product liability in particular;
  - risks related to the inability to protect the confidentiality of Company information and know-how;
  - regulatory and legal risks.

- Financial risks
  - risks related to financial instruments;
  - risk of change;
  - interest rate risk;
  - liquidity risk;
  - risk of volatility in Company share prices;
  - risk of dilution;

2.5 Risk management

2.5.1 Procedures relating to the operational process

AB Science has a "Quality Assurance" department, whose purpose is to have an independent body responsible for developing a process of continuous quality improvement as well as the maintenance of an efficient Quality Management System (QMS) accompanied by performance indicators.

This quality system is one of the major systems for controlling operational risks, and covers all of the operational processes: Clinical Operations, Pharmaceutical Operations, Pharmacovigilance, Biometrics.

It is also intended to control the risks linked to subcontracting by providing control points at each stage: selection, qualification, audits, corrective action plans, annual qualitative assessment.

The management of the quality system is itself subject to its own SOP in the "Quality Management System". Their purpose is to:

- Define the quality management system of the Company and the internal responsibilities of the Company;

- Define the laws and regulations to which the Company must comply, in particular the Public Health Code (the French Public Health Act 2004-806 of 9 August 2004; the Decision of 24 November 2006 setting the rules of good clinical practice for biomedical research relating to medicinal products for human use; the Decision of 24 July 2009 laying down the rules of good manufacturing practices for medicinal products for human use); European directives 2001/20/EC, 95/46/EC; the American Code of Federal Regulations (CFR); the International Council for Harmonisation (ICH) on Good Clinical Practice (ICH-GCP E6(R1)).
- Ensure the consistency of the quality management system and the SOP that compose it;
- Define the system control rules and implement corrective actions;
- Define the rules for updating the system and internal responsibilities;
- Define the rules for carrying out and monitoring biomedical research through clinical investigation sites and service providers.

The Quality Management System (QMS) has been optimised by the development of new procedures such as, for example, the rewriting of all of the procedures of the pharmacovigilance department. The organisational pyramid of the quality documentary system has been developed.

2.5.2 Preparation of accounting and financial information

Participants

AB Science SA's accounting is done internally by the company's administrative and financial manager. The accounts of the American subsidiary AB Science LLC as well as those of the Canadian subsidiary AB Science Canada INC. are outsourced to an accounting firm. The Group's consolidated accounts are also drawn up internally.

The Company regularly meets with its Statutory Auditors and its Finance Committee for the interpretation or implementation of the new applicable French and IFRS accounting principles, as well as for any measure affecting internal control.

Preparation of corporate and consolidated accounts

The consolidated accounts are produced as part of the procedure for approving the annual accounts.

The procedures for reporting information from the subsidiary to the parent company as well as the accounting closure procedures allow the preparation of consolidated accounts produced by the parent company. A closure calendar is published every six months to ensure that the people concerned provide all the necessary information on time.

The individual accounts of each company in the Group are prepared semi-annually on June 30th and December 31st of each year and are respectively reviewed and audited on that same date. Each subsidiary prepares its own individual accounts based on the local accounting standards in force. For consolidation purposes, the same chart of accounts in IFRS format is used by all the companies in the Group. The data are then reprocessed based on IFRS standards.

Budget and monthly reporting

In addition, financial reporting is done at subsidiary and group level.

For each entity of the group, this reporting includes a(n):
- monthly income statement (by entity and consolidated);
- monthly cash budget (including an actual/budget comparison);
- annual budget.

The budget for the coming year is drawn up once a year, or in the event of a significant change in the activity of the company. Each group manager must draw up their budget, in terms of need for additional human resources, consumables and investments, and communicate these elements to the management control department. These are summarised and a decision is made by the Chairman and Managing Director and the Chief Financial Officer. This complete budget is then presented to the Board of Directors for information.

The reconciliation of accounting and forecast data, combined with monthly analysis, contributes to the quality and reliability of the information produced.

These different reports are sent to the administrative and financial director. These documents are for internal use only. They are a major component of the control and steering system of the Management Committee.

Budget

The budget for the coming year is drawn up once a year, or in the event of a significant change in the activity of the company. Each group manager must draw up their budget, in terms of need for additional human resources, consumables and investments, and communicate these elements to the management control department. These are summarised and a decision is made by the Chairman and Managing Director and the Chief Financial Officer. This complete budget is then presented to the Board of Directors for information.

2.5.3 Accounting and financial information procedures

During the 2019 fiscal year, the company maintained the following procedures designed to limit financial management risks.

- Definition of accounting principles and rules (PCI_PC_01). These are to:
  - ensure the accuracy of the published accounts;
  - ensure the monitoring of any changes in the applicable rules;
  - ensure compliance of published accounting and financial information with the applicable rules;
  - ensure that the principles adopted for the chart of accounts allow the implementation of convergence with the IFRS.

- Data retention (PCI_CD_01). This involves:
  - describing the media and main periods for which documents relating to accounting are kept within the AB Science group;
  - ensuring compliance with accounting, tax and criminal rules in this area.

- Compliance with information obligations in terms of financial statements and financial communication (PCI_OI_01). This involves:
  - identifying and processing the group's periodical reporting obligations in terms of financial, accounting and other communications to the market;
  - establishing a schedule summarising these obligations;
  - ensuring that information is checked before it is released;
  - ensuring the dissemination of information within the time limits and complying with the information obligations of listed companies.

- Stock management (PCI_GS_01). This involves:
  - complying with the regulations imposed by pharmaceutical laws on the quantities entering and leaving stocks (appropriate authorisations and regular monitoring);
  - confirming the accounting balances of physical reality;
  - confirming the cut-off procedures on each closing date;
  - ensuring that the valuation of stocks is subject to adequate and consistent calculations with the actual accounting elements;
  - checking and ensuring the separation of functions: purchases, receipts, admission into warehouse, manufacturing, payment, shipping, accounting, inventory entry.

- Sales/customers (PCI_VE_01; PCI_VE_02; PCI_VE_03; PCI_VE_04; PCI_VE_05). This involves:
  - complying with the regulations imposed by European pharmaceutical law;
  - ensuring customer account validation and orders to be processed in compliance with regulations;
  - ensuring the processing, follow-up of customer accounts, billing and collection.

- Purchases/suppliers (PCI_AC_01; PCI_AC_02). This involves:
  - ensuring that the expense accounting principle is correctly applied and is in line with the accounting standards in force;
  - ensuring that the cut-off principle is correctly understood;
  - ensuring that all amounts paid are correctly accounted for and previously validated;
  - avoiding the risk of funds being misappropriated by ensuring segregation between the person who generates the payment order for supplier invoices and the person who validates it;

- Cash/Bank reconciliation (PCI_TR_01). This involves:
  - checking that the bank accounting balances match the bank statements;
  - avoiding the risk of funds being misappropriated by ensuring segregation between the person who manages collection and settlement operations, the person who performs bank reconciliation and the person who controls pending transactions and bank reconciliation.

- Personnel (PCI_PE_01). This involves:
  - avoiding the risk of funds being misappropriated by ensuring the separation of the functions of calculation, control, payment and transmission of pay;
  - ensuring that the amounts posted are accurate, taking into account the company's commitments;
  - ensuring that the amounts not paid at the end of each period are recorded;
  - checking that the social cost accounting is in line with the accounting standards in force and the regulations.

- Accounting computer system security (PCI_SI_01). This involves:
  - ensuring respect for the confidentiality of financial information;
  - preventing fraud risk by safeguarding the division between configuration work and monitoring operations;

- Control of group subsidiaries (PCI_FIL_01). This involves:
  - ensuring control by the parent company over its subsidiaries;
  - controlling the costs of subsidiaries;
  - guaranteeing the reliability of the consolidated accounts.

2.6 Monitoring the internal control system

As part of its role, the management control department, under the responsibility of the administrative and financial director, is also in charge of managing and monitoring the proper functioning of the internal control system relating to financial information. The clinical operations department is in turn responsible for monitoring the proper functioning of the internal control system relating to compliance with good clinical practices.

Work carried out on risks and internal control is presented to the Finance Committee, which then assesses the effectiveness of the risk management and internal control procedures implemented by the Company each year. The results of this assessment are then reported to the Board of Directors by the Chairman of the Finance Committee.

This report, drawn up annually by the Chairman of the Board of Directors, describes the conditions for preparing and organising the work of the Board of Directors and the internal control and risk management procedures implemented by the Company.

2.7 Review of operations carried out during the 2019 fiscal year

The objective of 2019 was to strengthen the QUALITY SYSTEM and in particular the Quality Management System of key departments (pharmacovigilance, pharmaceutical operations, data management). In addition to these actions, it should be noted that AB Science has developed the *risk-based* management and internal quality contro processes.

The achievement of these 2019 objectives has been confirmed by the following two events:
- The authorization by the ANSM to restart the clinical studies in France
- The authorization by the FDA to initiate the phase 3 study in prostate cancer in the US

2.8 Perspective of evolution

During 2020, the company will continue to update the procedures adapted to the development of the business and give priority to the procedures related to the continuity of clinical studies.

The framework established by the Quality Policy must serve as a benchmark for the teams in understanding the impact of their activities on the company's results.

2019 CONSOLIDATED FINANCIAL STATEMENTS
IFRS COMPLIANT

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDING 31 DECEMBER 2019

Assets (*in thousands of euros*)	Note	31/12/2019	31/12/2018
Intangible assets		1,417	1,572
Tangible assets		193	153
Leasing rights	8	1,979	
Non-current financial assets	12	67	54
Other non-current assets	11	0	0
Deferred tax		0	0
Non-current assets		3,656	1,779
Inventories	9	230	153
Trade receivables	10	197	236
Current financial assets	12	0	0
Other current assets	11	7,962	8,764
Cash and cash equivalents	13	5,695	11,560
Current assets		14,085	20,712
TOTAL ASSETS		**17,740**	**22,491**

Liabilities (*in thousands of euros*)	Note	31/12/2019	31/12/2018
Share capital	14	435	411
Share premium account		202,891	193,271
Translation reserves		(72)	(63)
Other reserves and retained earnings		(230,083)	(208,580)
Equity attributable to company shareholders		(26,829)	(14,962)
Minority equity investments			
Equity		(26,829)	(14,962)
Non-current provisions	15	817	718
Non-current liabilities	16	22,546	17,535
Other non-current liabilities	17	0	0
Non-current leasing liabilities	18	1,679	0
Deferred tax		0	0
Non-current liabilities		25,043	18,253
Current provisions	15	237	145
Trade payables		15,003	15,036
Current financial liabilities	16	7	11
Current tax payable		0	0
Current leasing liabilities	18	333	0
Other current liabilities	17	3,946	4,008
Current liabilities		19,527	19,200
TOTAL LIABILITIES		**17,740**	**22,491**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 31 DECEMBER 2019

	Note	31/12/2019	31/12/2018
Net revenues	19	**1,571**	**1,701**
Other operating revenues		0	0
Total revenues		**1,571**	**1,701**
Cost of sales		(181)	(248)
Marketing & sales costs		(1,018)	(1,082)
Administrative expenses		(2,263)	(2,388)
Research and development expenses		(15,583)	(26,926)
Other operating costs		-	-
Operating loss		**(17,474)**	**(28,944)**
Financial income		29	2,963
Financial expenses		(4,298)	(76)
Net financial income/(loss)		**(4,269)**	**2,887**
Tax charge		(4)	(4)
Net loss		**(21,747)**	**(26,061)**
Other comprehensive income/(losses)			
Items that will not be transferred to earnings:			
- Actuarial gains/(losses)		30	161
Items that may later be transferred to earnings:			
- Currency gains/(losses) on operations abroad		(10)	(7)
Other post-tax comprehensive income/(loss) for the year		**21**	**154**
Comprehensive income/(loss) for the year		**(21,726)**	**(25,907)**
Net loss for the year attributable to:			
- Minority interests		-	-
- Company shareholders		(21,747)	(26,061)
Comprehensive loss for the year attributable to:			
- Minority interests		-	-
- Company shareholders		(21,726)	(25,907)
Earnings per share (€)	25	(0.55)	(0.69)
Diluted earnings per share (€)	25	(0.55)	(0.69)

CONSOLIDATED CASH FLOW STATEMENT

	31/12/2019	31/12/2018
Net loss	(21,747)	(26,061)
- Elimination of depreciation and provisions	1,074	923
- Elimination of gains/losses on asset disposals	0	0
- Share-based payment income/(expenses)	119	149
- Other non-cash income/(expenses)	3,804	(2,857)
- Elimination of tax charge / income	0	0
- Elimination of deferred tax movement	0	0
- Cash flow from change in operating working capital	1,533	1,038
- Interest income /(expenses)	61	15
- Operating cash flow before tax and interest	**(15,156)**	**(26,792)**
- Tax paid/received	0	0
Net cash flow from operating activities	**(15,156)**	**(26,792)**
Fixed assets purchased	(390)	(484)
Tangible and intangible fixed asset disposals	0	0
Financial assets purchased	0	0
Gains on sale of financial assets	0	0
Change in granted loans and advances	28	0
Loan interest received/(paid)	(71)	(6)
Other cash flow from investing activities	0	0
Net cash flow from investing activities	**(432)**	**(490)**
Dividends paid		
Proceeds/payments from share issues/buybacks	9,740	61
Loans and conditional advances received	2,197	0
Loans and conditional advances repaid	(2,203)	0
Other cash flow from financing activities	0	0
Net cash flow from financing activities	**9,734**	**61**
Currency gains/(losses)	(10)	(7)
Gains/(losses) on held-for-sale assets	0	0
Change in accounting policies	0	0
Net cash flow for the year	**(5,864)**	**(27,229)**
Opening cash and cash equivalents	11,560	38,789
Closing cash and cash equivalents	5,695	11,560
Change in cash and cash equivalents	**(5,864)**	**(27,229)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 31 DECEMBER 2019

(€'000)	Share capital	Share premium account	Translation reserves	Other reserves and retained earnings	**Total**	Minority interests	**Total equity**
AT 1 JANUARY 2019	**410**	**193,271**	**(63)**	**(208,580)**	**(14,962)**	**0**	**(14,962)**
Net loss for the year				(21,747)	(21,747)		(21,747)
Other comprehensive income/(losses)			(10)	30	21		21
Comprehensive income/(loss) for the year	**0**	**0**	**(10)**	**(21,717)**	**(21,726)**		**(21,726)**
Proceeds from share issues	*25*	*9,715*			*9,740*		*9,740*
Staff share-based pay				*119*	*119*		*119*
Other share-based payments		*(95)*		*95*	*0*		*0*
Total transactions with shareholders	**25**	**9,715**	**0**	**119**	**9,859**		**9,859**
AT 31 DECEMBER 2019	**435**	**202,891**	**(72)**	**(230,083)**	**(26,829)**	**0**	**(26,829)**

(€'000)	Share capital	Share premium account	Translation reserves	Other reserves and retained earnings	**Total**	Minority interests	**Total equity**
AT 1 JANUARY 2019	**410**	**193,284**	**(55)**	**(182,903)**	**10,735**	**0**	**10,735**
Net loss for the year				(26,061)	(26,061)		(26,061)
Other comprehensive income/(losses)			(7)	161	154		154
Comprehensive income/(loss) for the year	**0**	**0**	**(7)**	**(25,900)**	**(25,907)**		**(25,907)**
Proceeds from share issues	*0*	*60*			*61*		*61*
Staff share-based pay				*149*	*149*		*149*
Other share-based payments		*(73)*		*73*	*0*		*0*
Total transactions with shareholders	**0**	**(13)**	**0**	**223**	**210**		**210**
AT 31 DECEMBER 2019	**410**	**193,271**	**(63)**	**(208,580)**	**(14,962)**	**0**	**(14,962)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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 consolidated financial reports of the Company for the year ended 31 December 2019 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 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 Preliminary remarks

The consolidated financial statements balance sheet date is 31 December every year. The consolidated financial statements' underlying company accounts are prepared as at the same balance sheet date, i.e. 31 December. The 2018 financial statements were approved by the Board of Directors on 29 April 2019.

2.2 Declaration of compliance and accounting principles

The consolidated financial statements were prepared in accordance with IFRS as adopted in the European Union. All accounting standards 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.

These policies are identical to those used by the Group for 2018, except for standards, interpretations and amendments adopted by the European Union and applicable for financial years beginning on or after 1 January 2019 as follows:

- IFRS 16 Leases – The Group leases its premises. All leases used to be classified as finance leases or operating leases, each of which was treated differently for accounting purposes. Under IFRS 16, all leases must be capitalised by recognising an asset representing right of use and a liability equal to the discounted present value of future lease instalments. The lease term is established pursuant to each lease contract and corresponds to the firm commitment period. Lease instalments in respect of low value assets and those of short-term leases of less than 12 months are expensed on payment. The group applied this new standard using the simplified retrospective method. The effects on the 2019 financial statements are detailed in note 8 to the consolidated financial statements.
- IFRIC 23 interpretation Uncertainty over Income Tax Treatment covering financial years beginning on or after 1 January 2019 was adopted by the European Union on 23 October 2018. This interpretation has no impact on the AB Science accounts.
- The following standards also have no impact on the Group's accounts:
- Amendments to IAS 19 Employee Benefits: "Plan amendment, curtailment or settlement" adopted on 13 March 2019;
- Amendments to IAS 28 Investments in Associates: Interests in Associates and Joint Ventures adopted on 8 February 2019;
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation adopted on 23 March 2019;
- Annual improvements to IFRS cycles 2015 - 2017 adopted on 13 March 2019.

2.3 Basis for valuation

The consolidated financial statements are prepared on the basis of historical cost with the exception of certain categories of assets and liabilities in accordance with IFRS standards. The categories in question are mentioned in the following notes.

2.4 Functional and reporting currency

The consolidated financial statements are presented in euros which is the functional currency of the Company. All financial data is expressed in thousands of euros, unless otherwise stated.

2.5 Use of estimates and assumptions

The preparation of financial statements requires management to exercise judgement, make estimates and assumptions that have an impact on the application of accounting policies and on the value of assets and liabilities, income and expenses. Actual values may be different from estimated values.

The estimates and underlying assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recognised during the period of the change and any subsequent periods affected.

Information on the main sources of uncertainty relating to estimates and assessments used to apply accounting methods, which have the most impact on amounts reported in the consolidated financial statements, is given in the following notes:

- Note 24.1 – use of tax losses,
- Note 3.10 – Valuation of share-based payments,
- Note 16.4 – valuation of financial liabilities at fair value

3 Main accounting methods

The financing of the operations until 31 December 2020 will be ensured on the one hand by a fundraising carried out on the market (6.4 million euros), the exercise of BSAs (1.2 million euros) and the pre-financing of the 2019 research tax credit (4 million euros), performed in March 2020, and on the other hand by several financing options, one of which is confirmed.

On this basis, the financial statements were closed in application of the principle of going concern.

3.1 Principles of consolidation

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power to steer the financial and operating policies of the entity in order to obtain benefits from its activities. To assess control, the potential voting rights that are currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained until the date on which control ceases. The accounting policies of subsidiaries are modified when necessary to align them with those adopted by the Group.

3.2 Foreign currency

i.Foreign currency transactions

Foreign currency transactions are converted into the respective functional currencies of Group companies by applying the exchange rate in force on the date of transactions. Monetary assets and liabilities denominated in foreign currency as at the balance sheet date are converted into the functional currency using the closing exchange rate.

Exchange gains and losses resulting from the conversion of monetary items correspond to the difference between the amortised cost brought forward denominated in the functional currency, adjusted for the impact of the effective interest rate and payments during the period, and the amortised cost denominated in the foreign currency converted at the closing exchange rate.

Non-monetary assets and liabilities denominated in foreign currency that are valued at fair value are converted into the functional currency using the exchange rate on the date when the fair value was determined. Exchange differences resulting from these conversions are recognised in profit or loss, with the exception of differences resulting from the conversion of negotiable equity instruments, a financial liability designated as a hedge of a net investment in an activity abroad, or instruments classified as cash flow hedges, which are recognised directly in equity.

ii.Operations abroad

The assets and liabilities of a foreign operation are converted into euros using the closing exchange rate. The income and expenses of a foreign operation are converted into euros using the exchange rates in force on the transaction dates.

Exchange differences resulting from conversions are recognised in equity. When a foreign operation is sold, in whole or in part, the portion of the amount recognised in the conversion reserve is transferred to income.

3.3 Financial instruments and liabilities

Financial assets, excluding cash and still valid derivatives, are classified according to one of the following categories:

- Assets held to maturity
- Loans and other receivables
- Available-for-sale assets
- Assets at fair value through profit or loss;

Assets held to maturity

Investments held to maturity are financial assets that the Group intends and has the capacity to hold until maturity. After their initial recognition, these assets are valued at amortised cost, using the effective interest rate method, less the amount of any impairment losses.

Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. They are classified as current assets except for those with maturities of more than 12 months after the closing date.
Loans and receivables granted are valued using the historical cost method (amortised cost - effective interest rate). Their balance sheet value includes the capital remaining due, plus accrued interest. They are subject to impairment tests when there is evidence of a loss of value.

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as assets available for sale. After their initial recognition, they are valued at fair value and any resulting variation is recognised directly in equity, except for the amount of impairment losses and, for monetary items available for sale, exchange differences. When these investments are derecognised, the cumulative gain or loss recognised in equity is transferred to income.

Financial assets at fair value through profit or loss

An instrument is classified as a financial asset at fair value through profit or loss if it is held for trading or designated as such on initial recognition. Financial instruments are designated as being at fair value through the profit and loss account if the Group manages such investments and takes buying and selling decisions on the basis of their fair value based on the risk management policy or the Group's investment strategy. Upon initial recognition, directly attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are valued at fair value, and any resulting variation is recognised in profit or loss.

Non-derivative financial liabilities

The Group initially recognises the debts issued and the subordinated liabilities on the date on which they are generated. All other financial liabilities are initially recognised on the transaction date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.
The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.
Other non-derivative financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction cost. After their initial recognition, these financial liabilities are valued at amortised cost, using the effective interest rate method.
Bank overdrafts redeemable on demand and which are an integral part of the Group's cash management constitute a cash component and cash equivalents for the purposes of the cash flow statement.

Other financial liabilities

Other financial liabilities are valued at fair value on each balance sheet date, the change in fair value being recognised in financial income. They are valued using financial valuation models such as Monte-Carlo and Black-Scholes.

Compound financial instruments

AB Science Group has had no compound financial instruments since December 2016.

3.4 Share capital

At 31 December 2019 share capital consisted of three share classes as follows:

- Ordinary shares (A class)
- Preference shares convertible into ordinary shares (B class)
- 2016 Preference shares (C class)

Ordinary shares are classified as equity instruments. Ancillary costs directly attributable to the issuance of ordinary shares or stock options are recorded as a post-tax deduction from equity.

3.5 Tangible assets

Tangible fixed assets are recorded at their acquisition cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the carrying amount of the asset or, where applicable, recognised as a separate asset if it is likely that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be calculated reliably.

Depreciation is recognised as an expense on a straight-line basis over the estimated useful life of the assets.

Asset estimated useful lives are as follows:

- Fixtures and fittings 3-5 years
- Production equipment 3 years
- Furniture, office and IT equipment 3-5 years

Depreciation methods, useful lives and residual values are reviewed and, if necessary, adjusted on each balance sheet date.

The carrying amount of an asset is immediately depreciated to bring it back to its recoverable value when the carrying amount of the asset is higher than its estimated recoverable value (see note "Impairment of assets").
Gains and losses on disposal of tangible assets are determined by comparing the proceeds of disposal with the carrying amount of the asset and are recorded at their net value in "other income" in the income statement.

3.6 Intangible assets

i.Research and development

Research expenses incurred in order to acquire new scientific or technical understanding and knowledge are recognised as expenses when they are incurred.

Development activities involve the existence of a plan or model for the production of new or substantially improved products and processes. Development expenses are recognised as a capital asset if and only if the costs can be calculated reliably and the Group can demonstrate the technical and commercial feasibility of the product or process, the existence of probable future economic benefits and its intention as well as the availability of sufficient resources to complete development and use or sell the asset. Expenses thus capitalised include material costs, direct labour and directly attributable overhead costs necessary to prepare the asset for its use as intended. Borrowing costs relating to the development of qualified assets are recognised in the income statement when they are incurred. Other development expenses are recognised as expenses when they are incurred.

Capitalised development costs are recorded at their cost less accumulated amortisation and accumulated impairment losses.

Given the risks inherent in the development programmes and the progress of the projects carried out by the Group, AB Science considers that the criteria defined by IAS38 have not yet been met. Consequently, development costs have been expensed in the year in which they were incurred.

ii.Other intangible assets

Other intangible assets that have been acquired by the Group, with a finite useful life, are recorded at their cost less accumulated depreciation and accumulated impairment losses.

Subsequent intangible asset expenses are capitalised only if they increase the future economic benefits associated with the corresponding specific asset. Other expenses are recognised as expenses when they are incurred.

Amortisation is recognised as an expense on a straight-line basis over the estimated useful life of the intangible assets. The estimated useful lives for the current period and the comparative period are as follows:

- Patents: 20 years
- Software: 1 year

3.7 Basis for stock valuation

Inventories are recognised at their cost price or at their net realisable value if this is lower. The cost of inventories is determined using the weighted average cost method.

3.8 Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments which are easily convertible into a known amount of cash and which are subject to negligible risk of change in value. Thus, the “Cash and cash equivalents” section groups together cash and cash equivalents as well as cash investments in marketable securities with a maturity of three months or less and very low interest rate risk sensitivity.

For the establishment of the cash flow statement, cash and cash equivalents consist of cash, demand deposits at banks, very liquid short-term investments, net of bank overdrafts. In the balance sheet, bank overdrafts appear in Current financial liabilities.

3.9 Impairment

Financial assets

A financial asset is reviewed on each reporting date to determine if there is objective evidence of impairment. The Group considers that a financial asset is impaired if there is objective evidence that one or more events had a negative impact on the estimated future cash flows of the asset.

The loss in value of a financial asset valued at amortised cost corresponds to the difference between its carrying amount and the value of the estimated future cash flows, discounted at the original effective interest rate of the financial assets. Impairment of an available-for-sale financial asset is based on fair value.

Impairment losses are recognised in profit or loss. With regard to available-for-sale assets, any accumulated loss that has previously been recognised in equity is transferred to income.

An impairment loss is reversed if the reversal can be objectively linked to an event occurring after the recognition of the impairment. For financial assets valued at amortised cost and available-for-sale financial assets which represent debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that represent equity securities, the reversal is recognised directly in equity.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed as of each balance sheet date to assess whether there is any indication that an asset has suffered an impairment. If there is such an indication, the recoverable value of the asset is estimated.

The recoverable value of an asset or a cash-generating unit is the higher of its value in use and its fair value less selling costs. To assess value in use, estimated future cash flows are discounted at the pre-tax rate, which reflects the current market assessment of the time value of money and risks specific to the asset. For the purposes of impairment tests, assets are grouped in the smallest group of assets which generates cash inflows resulting from continuous use, largely independent of cash inflows from other assets or groups of assets ("cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit is greater than its recoverable value. Impairment losses are recognised in the income statement. An impairment loss of a cash-generating unit (or a group of units) is allocated first to the reduction in the carrying amount of any goodwill allocated to the cash-generating unit, and then to the reduction of the carrying amounts of the other assets of the unit (or group of units) in proportion to the carrying amount of each asset of the unit (or group of units).

The Group assesses as at each balance sheet date whether there is an indication that impairment losses recognised in previous periods have decreased or no longer exist. An impairment loss is reversed if there has been a change in

the estimates used to determine the recoverable value. The carrying amount of an asset plus impairment loss reversal must not be greater than the carrying amount less accumulated depreciation, which would have been determined if no impairment loss had been recognised.

3.10 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays defined contributions to a separate entity and has no legal or constructive obligation to pay additional contributions. Contributions payable to a defined contribution plan are recognised as an employee benefit expense when they fall due. Contributions paid in advance are recognised as assets to the extent that this will lead to a reimbursement in cash or a reduction in future payments.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The net liability under defined benefit plans is assessed separately for each plan by estimating the amount of future benefits acquired by employees in exchange for services rendered during the present period and prior periods; this amount is discounted to present value. The costs of unrecognised past service and the fair value of plan assets are then deducted.

The discount rate is equal to the interest rate as at the balance sheet date of high quality bonds with a maturity date close to that of the Group's liabilities and which are denominated in the same currency as the payment of the services. Calculations are performed annually by a qualified actuary using the projected unit credit method. When net liability calculations lead to a Group asset, the amount recognised in respect of such asset may not exceed the total (i) of the cost of past services not recognised and (ii) the present value of any economic advantage available in the form of future reimbursement of the plan or reductions in future plan contributions. An economic benefit is available to the group if it is achievable during the life of the plan, or when plan liabilities are settled.

When the benefits of the plan are improved, the share of the additional benefits relating to past services rendered by members of staff is recognised as an expense on a straight-line basis over the average duration remaining until the corresponding benefits become vested. If the rights to benefits are vested immediately, the cost of the benefits is recognised immediately in the income statement.

Actuarial differences for defined benefit plans are recognised in “other comprehensive income”.

Other long-term employee benefits

The Group's net obligation for long-term benefits other than pension plans is equal to the value of the future benefits acquired by employees in exchange for the services rendered during the present and previous periods. These benefits are discounted and reduced by the fair value of the dedicated assets.
The discount rate is equal to the interest rate at the balance sheet date of high quality bonds with a maturity date close to that of the Group's commitments. The amount of the obligation is determined using the projected unit credit method. Actuarial differences are recognised in the income statement for the period in which they arise.

Severance payments

Severance payments are recognised as an expense when the Group is clearly committed, without any real possibility of retracting, to a formal and detailed plan, either relating to redundancy before the normal retirement date, or offering voluntary redundancy in order to reduce the workforce. Severance payments for voluntary redundancy are recognised as expenses if the Group has made an offer encouraging voluntary redundancy and it is likely that this offer will be accepted and that the number of people who will accept the offer can be reliably estimated.

Short-term benefits

A liability is recognised for the amount that the Group expects to pay under profit-sharing plans and bonuses settled in short-term cash if the Group has a current legal or constructive obligation to make these payments in consideration for past services rendered by the staff member and if the obligation can be estimated reliably.

Share-based payments

The fair value determined on the date of grant of options to members of staff is recognised in personnel expenses, in return for an increase in equity, over the period during which staff members become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of options acquired for which the conditions for the acquisition of services and performance are met.

The fair value of the amount to be paid to a member of staff for stock appreciation rights, which are paid in cash, is recognised as an expense against an increase in liabilities, over the period during which staff members actually receive this benefit. The liability is reassessed on each balance sheet date as well as on the settlement date. Any change in the fair value of the liability is recognised in personnel expenses.
Transactions for which payment is based on shares for which the Group receives goods or services in return for its own equity instruments are recognised as transactions that are settled as equity instruments, regardless of how the equity instruments will be obtained by the Group.

Only plans granted after 7 November 2002 and whose rights were not vested on 1 January 2007 are valued and recognised in accordance with the principles of IFRS 2.

3.11 Provisions

Provisions are recognised when the Group has a current legal or constructive obligation resulting from a past event, the obligation can be estimated reliably and it is probable that an outflow of resources representing economic benefits will be necessary to discharge the obligation.

These provisions are estimated taking into account the most probable assumptions as of the balance sheet date.

If the effect of time is material, the provisions are discounted. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks inherent in the obligation. Increases in a provision to reflect the passage of time is recognised under financial expenses.

3.12 Net revenues

Income corresponds to the fair value of the consideration received or to be received for goods sold in the course of business. Income from the sale of products is recognised in the income statement when the significant risks and benefits inherent in the ownership of the goods have been transferred to the buyer.

3.13 Research Tax Credit

Research tax credits are granted to companies by the French government to encourage them to carry out technical and scientific research. Companies that have qualifying expenses (research expenditure located in France or, since 1 January 2005, within the European Union or in another European Economic Area state that has concluded a tax treaty with France containing an administrative assistance clause) benefit from a tax credit which can be deducted from corporation tax payments. This research tax credit is recognised as a subsidy, as a deduction from recognised research and development costs.

3.14 Other public aids

The Group benefits from a certain number of public aids, in the form of grants or conditional advances.

Government grants are capitalised when there is reasonable assurance that the company will comply with the conditions attached to the grants and that the grants are received.

Grants that compensate for expenses incurred by the Group are systematically recognised in the income statement over the period during which the expenses are recognised.

A non-repayable government loan is treated as a government grant if there is reasonable assurance that the business will meet the conditions for the loan repayment expense. If not, it is classified as a liability. Conditional advances, whether or not attracting interest, are intended to fund research programmes. They are repaid if the relevant project is successful. These advances are recognised in financial liabilities and, if necessary, written back to income should the relevant project be forecast to fail.

3.15 Classification of current expenses

Marketing costs include the costs of manufacturing, distributing, promoting and selling drugs.

Research and development expenses include internal and external costs of studies carried out for the purpose of researching and developing new products as well as regulatory affairs expenses.

Expense recognition relating to ongoing research operations:

I – **With regard to expenses relating to ongoing research operations**, the costs are recognised according to the progress of the work, which is assessed based on the operational deadlines provided for in the contract, or if the contract does not specify such deadlines, pro rata temporis over the length of the contact on the balance sheet date.

II – **With regard to expenses relating to abandoned or discontinued research operations,** the costs are noted based on the general sales clauses of the subcontractor accepted by AB Science.

Administrative costs include senior management and support departments (i.e. finance, company secretary etc).

3.16 Operating lease payments

Operating lease instalments are expensed on a straight-line basis over the lease term. The benefits received form an integral part of the total net rental costs and are recognised as expenses over the duration of the rental contract.

The AB Science group does not have any finance leases.

3.17 Financial income and expenses

Net financial income includes interest on investments, interest payable on borrowings calculated using the effective interest rate method, the change in fair value of financial assets at fair value through profit or loss, impairment losses recognised as financial assets, foreign exchange gains and losses and discounting and reverse discounting effects.

Interest income is recognised in the income statement when acquired using the effective interest method.

3.18 Income tax

Income tax (expense or income) includes current tax expense (income) and deferred tax expense (income).

Tax is recognised in the income statement unless it relates to items which are taken directly to equity; in which case it is recognised under equity.

Current tax is (i) the estimated amount of tax due in respect of taxable income for a period, determined using tax rates that have been adopted or almost adopted at at the balance sheet date, and (ii) any current tax adjustments in respect of prior periods.

Deferred tax is determined and recognised using the balance sheet approach of the variable carry-over method for all temporary differences between the carrying value of assets and liabilities and their tax bases. Deferred tax assets and liabilities are measured at tax rates that are expected to apply over the period during which the asset will be realised and the liability settled, based on tax regulations that have been adopted or are almost adopted as at the balance sheet date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and if they relate to income taxes levied by the same tax authority, or on the same taxable entity, or on different taxable entities, but which intend to settle the tax assets and liabilities payable on the basis of their net amount or to realise the assets and settle the tax liabilities simultaneously.

A deferred tax asset is only recognised to the extent that it is probable that the group will have taxable future profits against which the corresponding temporary difference can be offset. Deferred tax assets are reviewed at each balance sheet date and are written down to the extent that it is no longer likely that sufficient taxable income will be available for offset.

3.19 Earnings per share

Basic earnings per share are calculated by dividing earnings attributable to Company ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are determined by adjusting earnings attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the potential dilution of all potential ordinary shares (i.e. stock options granted to employees).

4 Determination of fair value

There are a number of accounting methods and disclosures that require the fair value of financial and non-financial assets and liabilities to be determined. Fair values have been determined for purposes of valuation or compulsory disclosure under the following methods. Additional disclosures of fair value underlying assumptions are given, where applicable, in the notes specific to the relevant asset or liability.

(i) Investment in equity and debt securities
The fair value of financial instruments at fair value through profit and loss, investments held to maturity and available-for-sale financial assets is determined by reference to their last bid price quoted as at the balance sheet date. The fair value of financial investments held to maturity is determined solely for the purpose of financial reporting.

(ii) Customers and other debtors
The fair value of customers and other receivables is estimated based on the value of future cash flows, discounted at market interest rates on the balance sheet date.

(iii) Non-derivative financial liabilities and financial liabilities valued at fair value
For non-derivative financial liabilities, the fair value which is determined for the purposes of the information to be provided, is based on the value of future cash flows generated by the repayment of principal and interest, discounted at market interest rates as at the balance sheet date.
For financial liabilities valued at fair value through profit or loss, the fair value is determined using financial valuation models (such as Monte-Carlo and Black-Scholes)

(iv) Share-based payment transactions
The fair value of stock options granted to members of staff is assessed under the Black-Scholes formula. The data necessary for the valuation include the share price on the valuation date, the exercise price of the instrument, the expected volatility, the weighted average life of the instruments, the expected dividends and the risk-free interest rate (based on government bonds). The service and performance conditions attached to the transactions, which are not market conditions, are not taken into account when determining the fair value.

5 Financial risk management

The Group is exposed to the following risks from 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 for a period of 60 days.

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.

- 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 and 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 risk / reward ratio.

- Currency risk

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 (in the United States and the European Union).

- Interest rate risk

The group is not materially exposed to interest rate risk since, to date, it has only turned to financial institutions to fund its business to a limited extent.

- Equity risk

Under its equity management principles, the Company aims to continue operating by not exposing its shareholders to undue risk of dilution.

6 Intangible assets

2018 and 2019 changes in intangible assets break down as follows:

(€'000)	Cost	Amortisation and impairment	Net book value
31-Dec-17	3,740	(2,001)	1,739
Additions/ charge for the year	415	(582)	(167)
Disposals	(379)	379	0
31-Dec-18	3,776	(2,204)	1,572
Additions/ charge for the year	275	(430)	(155)
Disposals	(310)	310	0
31-Dec-19	3,741	(2,324)	1,417

Intangible assets largely comprise patents amounting to €1.411 million NBV at 31 December 2019 and €1.536 million NBV at 31 December 2018. Patents are capitalised pursuant to capitalisation criteria detailed under Note 3.6.

No impairment was found under principles described in Note 3.9 nor is any book value of an intangible asset in fact a cost to be written off.

7 Tangible assets

Tangible assets break down as follows:

Cost

(€'000)	Plant & machinery, fixtures & fittings	Other equipment	Office fittings, IT hardware and furniture	Total
31-Dec-17	532	148	361	1,041
Additions/ charge for the year	11	10	48	69
Disposals			0	0
Exchange differences				0
31-Dec-18	544	158	409	1,111
Additions/ charge for the year	100	0	15	115
Disposals			(5)	(5)
Exchange differences				0
31-Dec-19	644	158	420	1,221

Depreciation

(€'000)	Plant & machinery, fixtures & fittings	Other equipment	Office fittings, IT hardware and furniture	Total
B/fwd 31 December 2017	(435)	(144)	(294)	(873)
Charges	(43)	(3)	(42)	(87)
Written back on disposal			0	0
Exchange differences				
C/fwd 31 December 2019	(477)	(147)	(336)	(960)
Charges	(36)	(3)	(36)	(75)
Written back on disposal			5	5
Exchange differences				
C/fwd 31 December 2019	(513)	(150)	(367)	(1,028)

Net book value

(€'000)	Plant & machinery, fixtures & fittings	Other equipment	Office fittings, IT hardware and furniture	Total
31 December 2017	97	4	69	171
31 December 2018	66	11	75	153
31 December 2019	130	9	54	193

No impairment was found under principles described in Note 36; nor was any book value of an intangible asset in fact a cost to be written off when IFRS was first applied. No fixed asset charges have been granted.

8 Operating rights

The operating rights relate to office rental contracts. The rental period used for determining the right of use corresponds to the contractual durations of the various leases.

(€'000)	2019	31.12.2018
IFRS 16 introduction	2,327	-
Asset additions	0	-
Depreciation	(348)	-
Cancellations	0	-
TOTAL	1,979	-

9 Inventories

At 31 December 2019, inventories stood at €159,000 and break down as follows:

(€'000 and book values)	2019	31.12.2018
Inventories of raw materials and active ingredients	0	0
Semi-finished goods	204	142
Finished goods	27	10
Total inventories	230	153

10 Trade receivables

Trade receivables break down as follows:

(€'000)	2019	31.12.2018
Other trade receivables	197	236
Impairment	0	0
Net trade receivables	197	236

11 Other non-current and current assets

Other non-current and current assets break down as follows:

(€'000)	2019		31.12.2018	
	Non-current	Current	Non-current	Current
Research tax credit and employment tax credit ("CICE")	-	4,122	-	5,818
VAT receivable	-	1,243	-	1,878
Grants receivable(2)	-	70	-	70
Supplier receivables	-	199	-	162
Other receivables (3)	-	979	-	200
Conditional advances receivable (4)	-	865	-	-
Prepaid expenses	-	483	-	636
TOTAL	0	7,962	0	8,764

(1) The 2019 research tax credit amounted to €4,122,000. 2018-related research tax credits of €5,679,000 were received in July 2019.
(2) Grants receivable relate to BPI France and are capitalised if required conditions for payment are substantially fulfilled.
(3) Other receivables include supplier credit notes receivable and staff advances.
(4) 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.

12 Non-current and current financial assets

12.1. Financial asset details

Other non-current and current assets break down as follows:

(€'000)	2019		31.12.2018	
	Non-current financial assets	Current financial assets	Non-current financial assets	Current financial assets
Others	67		55	
TOTAL	67	0	55	0

Non-current and current financial assets are deposits paid as security for leases.

12.2. Change in financial assets

At 31 December 2019

(€'000)	01.01.2019	Increases	Reductions	Other	31.12.2019
Other	55	15	2		67
Financial assets	55	15	2	0	67

At 31 December 2018

(€'000)	01.01.2018	Increases	Reductions	Other	31.12.2018
Other	47	12	5		55

Financial assets	47	12	5	0	55

13 Cash and cash equivalents

Opening cash:

(€'000)	01.01.2019	01.01.2018
Cash	5,559	28,788
Term deposits	6,000	10,001
Book cash and cash equivalents	11,560	38,789
Bank overdrafts	0	0
Cash flow statement cash and cash equivalents	11,560	38,789

Net closing cash:

(€'000)	2019	31.12.2018
Cash	5,695	5,559
Term deposits	0	6,000
Book cash and cash equivalents	5,695	11,560
Bank overdrafts	0	0
Cash flow statement cash and cash equivalents	5,695	11,560

Note: cash and cash equivalents only comprise fixed term deposits that mature in up to three months from purchase date. Those that mature in over 3 months are included under Financial Assets.

14 Share capital

Share capital changed as follows:

(€)	Number of shares	Ordinary shares (A class)	Preference shares convertible into ordinary shares (B class)	2016 preference shares (C class)	Nominal value	Share capital
Share capital at 31 December 2018	41,597,243	41,030,379	41,458	0	0.01	410,718.37
Share issue following August 2019 receipt of a private fund	2,463,054	2,463,054			0.01	24,630.54
Share capital at 31 December 2019	44,060,297	43,493,433	41,458	0	0.01	435,348.91

The above figures exclude share warrants ("BSA"), entrepreneur share warrants ("BSPCE") and stock options granted to some investors and individuals including Company staff.

In August 2019, share capital increased by €24,630.54 following receipt of a private fund.

Furthermore, AB Science share capital, which stood at €435,348.91 at 31 December 2019, is stated after reclassification of the 2016 €5,254.06 preference share issue that was wrongly posted to share capital in 2016 and is now posted under financial liabilities.
During the 31 December 2009 general meeting, a double voting right (compared to other shares and in view of the proportion of share capital such double voting rights represent) was granted to all fully paid-up registered shares held by the same shareholder for at least two years, provided that the start date of said two-year period could not be prior to 1 April 2010. Said double voting right is also granted from issue date, should there be a capital increase by transfer from reserves, retained earnings or share premium account, in respect of registered shares allotted free of charge to a shareholder on account of old shares that gave said shareholder a double voting right.

At 31 December 2019, AB Science share capital comprised 43,534,891 shares including 18,093,346 shares with double voting rights.

15 Provisions

Provisions break down as follows:

	31.12.2019			31.12.2018		
(€'000)	Non-current	Current	Total	Non-current	Current	Total
Litigation		237	237		145	145
Staff benefits provision	817		817	718		718
TOTAL	817	237	1,054	718	145	863

2018 and 2019 changes in Intangible assets break down as follows:

(€'000)	Litigation	Staff benefit provisions	Total
31-Dec-17	0	771	771
Charges	145	108	253
Change in OCI		(161)	(161)
Used write-backs			0
Unused write-backs			0
31-Dec-18	145	718	863
Charges	181	129	310
Change in OCI		(30)	(30)
Used write-backs	(11)		(11)
Unused write-backs	(78)		(78)
31-Dec-19	237	817	1,054

The 31 December 2019 litigation provision totalling €237,000 primarily relates to three industrial tribunal lawsuits arising from employment redundancies.

Staff benefit provisions

The Staff benefit provisions consist of the provision for retirement compensation that Group staff are entitled to. No fund has been set up in respect of this liability, which has been computed based on a 0.85% discount rate (2018: 1.5%).

16 Financial liabilities

16.1. Current/non-current breakdown

Non-current and current financial liabilities break down as follows:

(€'000)	2019		31/12/2018	
	Non-current	Current	Non-current	Current
Contingent advances	10,197	0	9,331	0
Credit facility/loan	5	6	11	6
Other financial liabilities and financial instruments	12,345	0	8,193	0
Accrued interest payable		1		5
Financial liabilities	22,546	7	17,535	11

16.2. Conditional and repayable advances

Change in conditional advances and repayable advances

At 31 December 2019

(€'000)	31/12/2017				Discounting	31/12/2018

		Payments receivable	Repayments/ write-offs	LT/ST reclassifications		
Non-current	9,331	865				10,196
Current	0					0

At 31 December 2018

(€'000)	31/12/2017	Payments receivable	Repayments/ write-offs	LT/ST reclassifications	Discounting	31/12/2018
Non-current	9,331					9,331
Current	0					0

Conditional advances received are intended to fund specific research programmes. Whether or not they attract interest they are repayable should the relevant programme turn out a success.

Maturity of conditional advances and repayable advances

At 31 December 2019

(€'000)	31/12/2018	Less than 1 year	2 years	3 years	4 years	5 years	More than 5 years
Total advances	10,196						10,196

At 31 December 2018

(€'000)	31/12/2018	Less than 1 year	2 years	3 years	4 years	5 years	More than 5 years
Total advances	9,331						9,331

16.3. Bank loan

In October 2018, BNP Paribas granted the Company a €18,000 2.06% fixed rate 36-month loan.

16.4. Other financial liabilities

Bonds that the Board of Directors approved on 24 May 2013 under powers granted by the 30 March 2012 general meeting, issued and paid-up as at 1 June 2013, with total nominal value of €12.3 million, were in December 2016 converted into preference shares (525,406 Class C preference shares) and into various classes of share warrants ("BSA"). Such preference shares and share warrants fall under the definition of debt instruments and so are treated as financial liabilities for accounting purposes.
Said instruments are carried at fair value at each balance sheet date and all changes in fair value are taken to financial items. They are classified as level 3 since they are valued based on valuation models (Monte-Carlo approach for preference shares and Black & Scholes valuation method for share warrants), which use non-visible market data (e.g. Company share volatility).
The primary assumptions underlying the instruments' valuation are as follows:

- Share price at balance sheet date
- Risk-free interest rate (Euribor for under 1 year maturities and euro swap for over 1 year maturities)
- Historic volatility (at 60%) taking account of 'volatility smile' to value preference shares
- Zero dividends

Assumptions that influence the instrument valuation the most are volatility (a volatility increase causes a value increase) and movements in the balance sheet date share price (a volatility decrease causes a value decrease).
Assumptions that influence the instrument valuation the most are volatility (a volatility increase causes a value increase) and movements in the balance sheet date share price (a volatility decrease lowers the value). The sensitivity analysis below illustrates how these two variables impact the instruments' fair value:

Volatility	Total value (€)
40%	12,668;650
45%	12,540;763
50%	12,354;048
55%	12,104;728
60%	11,992;914

Benchmark price (€)	Total value (€)
4.00	10,206;146
4.60	11,307;330
10.00	14,310;594
16.00	14,748;626
22.00	15,203;314

At 31 December 2019, their fair value was €12 million. The change in fair value booked under financial items amounted to a €4 million loss.

17 Other non-current and current liabilities

Other non-current and current liabilities break down as follows:

(€'000)	31/12/2019		31/12/2018	
	Non-current	Current	Non-current	Current
Staff payables	-	3,365	-	3,397
Tax payables	-	506	-	581
Other payables	-	74	-	30
TOTAL	-	3,946	-	4,008

Staff payables include a provision for holiday pay and related social security charges and amounts owing to various social security organisations.

18 Leasing liabilities

Leasing liabilities were booked pursuant to IFRS 16 and break down as follows:

(€'000)	2019		31.12.2018	
	Non-current	Current	Non-current	Current
Leasing liabilities	1,679	333	-	-
TOTAL	1,679	333	-	-

19 Net revenues

The turnover of the Company, linked to the commercial exploitation of masitinib in veterinary medicine, amounted to €1,571,000.

20 Grants and government funding

The Company receives various types of aid from the French government and French local government authorities as follows:

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

20.1. Grants and conditional loans

Conditional advances are specified under Note 15 Financial Liabilities.

20.2. Operating grants

Since the Company was formed, in view of its research and development activities, it receives several types of government or local authority grants or aid designed to fund R&D activities or specific staff recruitment.

Unlike conditional advances:

- The Company has to comply with conditions required by these grants
- Grants are not repaid.

Grants are booked under earnings in the year when the corresponding expenditure was incurred and they break down as follows:

(€'000)	31/12/2019	31/12/2018
Grants	0	70

Grants are posted as deductions from R&D expenses.

20.3. Research tax credits

The Company enjoys tax relief in the form of research tax credits under the French General Tax Code. Research tax credits are booked against research expenditure in the year when the corresponding costs were incurred.

The table below shows changes in research tax credits taken to earnings:

(€'000)	31/12/2019	31/12/2018
2019 research tax credits	4,122	
2018 research tax credits		5,679
TOTAL	4,122	5,679

Since the Company was formed, it has always received research tax credits in the year when they are applied for, i.e. the year after they are posted to the income statement. Prompt repayment of research tax credit arose from the Company's status as an innovative startup in respect of years prior to 2008, and thereafter, from measures in the government's 2008 economic recovery plan.

21 Staff costs

21.1. Headcount

At 31 December 2019, the Group had 103 employees (including 2 in its US subsidiary and 1 in its Canadian subsidiary), down from 123 employees at 31 December 2018.

Headcount can be broken down as follows:

	31.12.2019	31.12.2018
Sales department	4	6
Drug discovery and clinical department	90	107
Senior management & administration department	9	10
TOTAL	103	123

21.2. Staff costs

Staff costs booked under the income statement cover the following:

(€'000)	2019	31.12.2018
Gross pay and benefits	7,361	7,920
Social security charges	2,584	3,298
Share-based pay	119	149
Staff costs	10,064	11,367

Such costs are broken down in the income statement as follows:

(€'000)	2019	31.12.2018
Marketing & sales costs	446	345
Administrative expenses	933	1,081
Research and development expenses	8,686	9,941
Staff costs	10,064	11,367

In December 2008, the Company introduced a profit sharing programme, which has not given rise to any payment to date due to the Company's tax losses.

22 Share-based pay

The annual expense from all share-based pay based on shares allotted to staff, breaks down as follows:

(€'000)	2019	31.12.2018
Stock option plans	23	18
BSPCE and BSA plans	19	19
AGAP plan	77	112

Total	119	149

22.1. Stock option plans

The following table gives the key features of the vesting plans:

	PLANS									
	SO33C	SO10A	SO10B	SO10C	SO4A	SO4B	SO5A	SO4C	SO5B	SO5C
Board of Directors grant date	15/09/2009	18/03/2010	03/02/2010	03/02/2010	01/07/2010	29/10/2010	29/10/2010	03/09/2011	03/09/2011	17/02/2012
Vesting date	15/09/2012	18/03/2014	03/02/2013	03/02/2013	01/07/2014	29/10/2014	29/10/2014	03/09/2015	03/09/2015	17/02/2016
Plan maturity date	15/09/2019	18/03/2020	03/02/2020	03/02/2020	30/06/2020	28/10/2020	28/10/2020	02/09/2021	02/09/2021	16/02/2022
Number of allotted options	112	290000	10	9	5985	4015	97472	1334	102102	14000
Stock options / share (nominal value €0.01) ratio	1000	1	1000	1000	1	1	1	1	1	1
Exercise price *(€)*	7680.00	15.61	12280.00	12280.00	12.65	12.65	12.65	7.14	7.14	12.25
Performance criteria	N/A	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	PLANS									
	SO4D	SO5D	SO5E	SO6A	SO6B	SO6C	SO6D	SO6E	SO7A	SO9A
Board of Directors grant date	30/08/2012	17/02/2012	26/02/2013	14/05/2014	29/08/2014	24/04/2015	06/10/2015	28/04/2016	30/04/2018	06/12/2018
Vesting date	30/08/2016	17/02/2016	26/02/2017	14/05/2018	29/08/2018	24/04/2019	06/10/2019	28/04/2020	30/04/2022	06/12/2022
Plan maturity date	28/08/2022	16/02/2022	26/02/2023	13/05/2024	28/08/2024	23/04/2025	05/10/2025	27/04/2026	30/04/2028	06/12/2028
Number of allotted options	1373	196466	1500	116335	10875	79940	15550	110640	53000	25120
Stock options / share (nominal value €0.01) ratio	1	1	1	1	1	1	1	1	1	1
Exercise price *(€)*	10.18	10.18	16.89	11.96	10.03	15.8	13.01	17.29	12.65	12.00
Performance criteria	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	PLANS	
	SO19A	SO19B
Board of Directors grant date	20/05/2019	10/07/2019
Vesting date	31/07/2019	31/07/2019
Plan maturity date	31/10/2022	31/10/2022
Number of allotted options	274000	59000
Stock options / share (nominal value €0.01) ratio	1	1
Exercise price *(€)*	12	12
Performance criteria	Yes	Yes

Plan value

The plans with values that have impacted the 2019 accounts are as follows:

(€'000)	**SO6C**	**SO6D**	**SO6E**	**SO7A**	**SO9A**	**SO2019A**	**SO2019B**	**TOTAL**
Initial value	25.5	3.6	28.1	1.3	0.4	11.0	2.4	**360.8**
2019 expense	2.0	0.7	7.0	0.3	0.1	11.0	2.4	**23.4**
2018 expense	6.4	0.9	7.0	0.2	0.0			**17.9**
2017 expense	6.4	0.9	7.0					**23.2**

Key assumptions	**SO6C**	**SO6D**	**SO6E**	**SO7A**	**SO9A**	**SO2019A**	**SO2019B**
Underlying asset value	€15.80	€ 12.09	€ 19.21	€ 4.92	€ 3.73	€ 5.17	€ 5.17
Exercise price	€15.80	€ 13.01	€ 17.29	€ 12.65	€ 12.00	€ 12.00	€ 12.00
Expected volatility	35.00%	35.00%	35.00%	60.00%	60.00%	50.00%	50.00%
Average option life (*in years*)	7	7	7	7	7	7	7
Turnover	33.7%	33.7%	38.3%	46.2%	46.1%	N/A	N/A
Discount rate	-0.1%	0.0%	-0.2%	-0.1%	-0.3%	0.00%	0.00%
Option fair value*	**€ 5.65**	**€ 4.07**	**€ 7.44**	**€ 1.82**	**€ 1.20**	**€ 0.04**	**€ 0.04**

Change in number of outstanding options

The number of outstanding options in respect of all plans changed as follows:

(number of options, with nominal value divided by 1,000)	**2019**	**31.12.2018**
Outstanding options b/fwd	**460,588**	**455,546**
Allotted options	333,000	78,120
Exercised options	0	0
Cancelled options	-25,729	-72,991
Expired options	-47.00	-87.30
Outstanding options c/fwd	**767,812**	**460,588**

At the balance sheet date, the total breaks down as follows:

(number of options)	**2019**	**31.12.2018**
Plans prior to 7/11/2002		
SO11A	0	0
SO11B	0	0
Plans post 7/11/2002		
SO11C	0	0
SO22A	0	0
SO22B	0	0
SO22C	0.00	0
SO22D	0.00	0
SO33A	0.00	0
SO33B	0.00	0
SO33C	0.00	47
SO10A	116,000	116,000
SO10B	0.00	0
SO10C	1.00	1
SO4A	1,826	2,139
SO4B	1145	1145
SO4C	353	353
SO5A	22,682	23,719
SO5B	24,183	27,866
SO5C	0	0
SO4D	0	0
SO5D	46,737	52,108
SO5E	0	0
SO6A	44,150	47,395
SO6B	875	875
SO6C	36,180	39,500
SO6D	9,000	9,000
SO6E	58,060	65,320
SO7A	48,500	50,000
SO9A	25,120	25,120
SO2019A	274,000	
SO2019B	59,000	
TOTAL	**767,812**	**460,588**

22.2. Entrepreneur start-up share warrant plan

Features of outstanding plans at balance sheet date

	POST 7/11/2002 OR VESTING POST 1/01/2007 PLANS								
	BCE2007-A	**BCE2007-B**	**BCE2008-A**	**BCE2008-B**	**BCE2008-C**	**BCE2008-D**	**BCE2010-A**	**BCE2012**	**BCE2013**
Board of Directors grant 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 (nominal value €0.01) ratio	1000	1000	1000	1000	1000	1000	1	1	1
Allotment criteria:									
Performance criteria	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*
Plan maturity date	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 *(€)*	7680.00	7680.00	7680.00	7680.00	7680.00	12280.00	12.28	12.50	18.74

Entrepreneur start-up share warrant plans ("BCE")

BCE2007A to BCE2010A plan features:

The criteria for exercising the BCE2007A to BCE2010A plans are fulfilled. These warrants may be exercised until 31 December 2027.

BCE2012 and BCE2013 plan features:

- Holders may exercise their BCEs subject to meeting the following criteria:
  For each BCE holder, exercising 50% of their BCEs is conditional on the achievement of operating goals, and exercising the remaining 50% is conditional on the achievement of revenue goals, as follows:
  i. Exercising 5% of their BCEs is conditional on launching a final clinical trial evidenced by the first patient's inclusion; the number of BCEs that become exercisable from launching a final clinical trial may not exceed 12.5% of all BCEs (i.e. 2 trials each entitling holders to exercise 5% of BCEs and a third final trial to exercise the remaining 2.5%).
  ii. Exercising 10% of BCEs is conditional on achieving conditional registration or a temporary licence to use a cohort, subject to:
    - If the conditional registration or temporary licence to use a cohort follows completion of a final trial, then this is deducted from the number of BCEs that become exercisable in respect of launching the final trial (i.e. the two goals cannot be added together);
    - The number of BCEs that become exercisable in respect of conditional registrations or temporary licences to use a cohort may not exceed 25% of BCEs (i.e. 2 conditional registrations or temporary cohort licences, each one entitling holders to exercise 10% of their BCEs, and a third conditional registration or temporary cohort licence entitling holders to exercise 5% thereof).
  iii. Exercising 20% of BCEs is conditional on achieving conditional registration or a temporary licence to use a cohort, subject to:
    - If the marketing license follows a final trial and/or a conditional registration/obtaining a temporary cohort licence, then this is deducted from the number of BCEs that become exercisable in respect of launching a final trial and/or conditional registration/obtaining a temporary cohort licence (i.e. the three goals cannot be added together);
    - The number of BCEs that become exercisable in respect of marketing licences may not exceed 50% of BCEs (i.e. 2 registrations, each one entitling holders to exercise 20% of their BCEs, and a third registration entitling holders to exercise 10% thereof).
  iv. Exercising 12.5% of BCEs is conditional on first achievement of Masitinib net annual revenues of €100 million.
  v. Exercising 12.5% of BCEs is conditional on first achievement of Masitinib net annual revenues of €250 million.
  vi. Exercising 12.5% of BCEs is conditional on first achievement of Masitinib net annual revenues of €500 million.
  vii. Exercising 12.5% of BCEs is conditional on first achievement of Masitinib net annual revenues of €1 billion.

Change in number of outstanding options

The number of outstanding options in respect of all plans changed as follows:

(number of options)	2019	31.12.2018
Outstanding options b/fwd	3,192,780	3,192,780
Allotted options	0	0
Exercised options	0	0
Cancelled options	0	0
Expired options	0	0
Outstanding options c/fwd	3,192,780	3,192,780

At the balance sheet date, the total breaks down as follows:

(number of options)	**2019**	**31.12.2018**
Post 7/11/2002 or vesting post 1/01/2007 plans		

BCE3A	-	-
BCE3B	-	-
BCE2007A	1,077	1,077
BCE2007B	297	297
BCE2008A	321	321
BCE2008B	220	220
BCE2008C	185	185
BCE2008D	10	10
BCE2010A	72,588	72,588
BCE2012	3,077,528	3,077,528
BCE2013	40,554	40,554
TOTAL	3,192,780	3,192,780

Plans value

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:

(€'000)	BCE2007A	BCE2007B	BCE3A	BCE3B	BCE2008A	BCE2008B	BCE2008C	BCE2008-D	BCE2010-A	BCE2012	BCE2013	Total
Initial value	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
2019 expense										19.0	0.2	19.2
2018 expense										19.0	0.2	19.2
2017 expense										19.0	0.2	19.2

Key assumptions	BCE2007A	BCE2007B	BCE3A	BCE3B	BCE2008A	BCE2008B	BCE2008C	BCE2008-D	BCE2010-A	BCE2012	BCE2013
Underlying asset value	€ 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 term (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 per option	756.28	582.80	331.42	346.86	596.20	596.86	542.56	1,735.22	1.69	0.06	0.06

Executive plans

The Company has granted its chairman and CEO entrepreneur startup share warrants ("BCE"), the number and value of which at 31 December 2019 and 31 December 2018 are as follows:

	31.12.2019		31.12.2018	
	Number	Value (€'000)	Number	Value (€'000)
Pre 7/11/2002 or vesting pre 1/01/2007 plans				
BCE2-2A				
BCE2-2B				
BCE2-2C				
TOTAL (A)				
Post 7/11/2002 or vesting post 1/01/2007 plans				
BCE3A	-		-	
BCE3B	-		-	
BCE2007A	906		906	
BCE2007B	288		288	
BCE2008A	235		235	
BCE2008B	147		147	
BCE2008C	123		123	
TOTAL (B)	**1,699**		**1,699**	
BCE2010A	28,784		28,784	
BCE2012	1,902,792	11.6	1,902,792	11.6
BCE2013	25,580	0.2	25,580	0.2
TOTAL (A)+(B)	**1,699**		**1,699**	
TOTAL BCE 2010 A	**28,784**		**28,784**	
TOTAL BCE 2012	**1,902,792**	**11.6**	**1,902,792**	**11.6**
TOTAL BCE 2013	**25,580**	**0.2**	**25,580**	**0.2**
GRAND TOTAL	**1,958,855**	**11.7**	**1,958,855**	**11.7**

22.3. Free preference share plan

Plan features:

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

Conditions for converting free shares are detailed under paragraph 8.6 hereto.

Plan value:

(€'000)	AGAP B1 and B2	AGAP B3	Total
Initial value	744.5	207.6	952.1
2019 expense	47.1	29.7	76.8
2018 expense	82.7	29.7	112.4
2017 expense	82.7	0.2	83.0

23 Financial income and expenses

Financial income and expenses break down as follows:

(€'000)	2019	31.12.2018
Income from financial assets and cash equivalents	(0)	9
Exchange gains	15	90
Exchange losses	(70)	(53)
Discounting	0	0
Financial receivables impairment	0	0
Interest on financial liabilities and loans	(17)	(0)
Other financial income	14	2,863
Other financial expenses	(4,212)	(23)
Total	(4,269)	2,887

2019 net financial income/(loss) amounted to a €4,269,000 loss (2018: €2,887,000 income)

The loss of €4,269,000 is mainly related to the recognition of the change in fair value between 31 December 2018 and 31 December 2019 of preference shares resulting from the conversion of bond issues in December 2016 into other finance costs (€4,212,000) with no impact on cash flow.

24 Corporate income tax

24.1. Deferred tax assets and liabilities

(€'000)	Year ended 31/12/19	Year ended 31/12/2018
Timing differences	278	255
Fixed asset adjustment	-164	-197
Pension liabilities	253	239
Tax losses carried forward (parent company and subsidiaries)	72,056	88,827
Deferred tax liabilities on bonds		
Other	4	-1,390
TOTAL	72,428	87,735
Of which:_		
Deferred tax liabilities	-160	-1,587
Deferred tax assets	72,587	89,322
Net deferred tax	72,428	87,735
Unrecognised deferred tax assets	-72,428	-87,735
Capitalised deferred tax assets	0	0

The amount of unrecognised deferred tax assets thus amounted to €72,428,000 for the 2019 fiscal year and to €87,735,000 for 2018.

Given that for the last few years the Company has reported tax losses, it is not liable for any current tax. Under current French tax rules, tax losses can be carried forward indefinitely.

The Company does not capitalise deferred tax assets for the following two reasons:

- While the Company has begun to market its animal health molecule, given that (i) this a new business and a new market with no comparable track record and (ii) given the large estimated R&D spend required in the future, the Company is not able to provide a sufficiently reliable forecast as to when the new business will earn profits exceeding the accumulated costs to date.
- The Company plans to market its human health molecule and in this case, profits will probably be sufficient to offset the tax loss. However, the Company follows a deferred tax asset recognition rule whereby it only considers a R&D project's eventual success if this is sufficiently certain, i.e. once the outcome of Phase 3 clinical trials is known.

24.2. Tax proof

The reconciliation between actual tax charge and theoretical tax charge is as follows.

(€'000)	31/12/2019	31/12/2018
Net loss	(21,747)	(26,061)
Tax (charge)/income	(4)	(4)
Pre-tax loss	(21,743)	(26,057)
French current tax rate	31.00%	33.33%
Theoretical tax change with French current tax rate	6,740	8,685
Tax-free tax credits	1,278	1,939
Uncapitalised losses	(6,600)	(11,530)
Other non-deductible expense and tax-free income	(85)	0
Other (incl. tax rate differences)	(1,338)	903
Group tax (charge)/income	(4)	(4)
Effective tax rate	0.0%	0.0%

25 Earnings per share

25.1. Basic earnings per share

Basic earnings per share is calculated by dividing earnings attributable to Company shareholders by the weighted average number of ordinary shares outstanding during the period.

	31.12.2019	31.12.2018
Net loss (€'000)	(21,747)	(26,061)
Weighted average number of shares outstanding during the year	39,398,801	37,778,642
Earnings per share	(0.55)	(0.69)

25.2. Diluted earnings per share

Diluted earnings per share is calculated by dividing earnings attributable to Company shareholders by the weighted average number of ordinary shares outstanding during the period.

Financial instruments with rights to buy equity in the future (e.g. BSA, BEA, SO, BSPCE and AGAP) are considered non-dilutive since they result in a higher EPS. As a result, diluted EPS is the same as basic EPS.

As of 31 December 2019, the number of shares likely to be issued if all of the financial instruments amounted to 18,274,405 shares (see chapter 8.6 of this report).

26 Related parties

Operations with top executives:

Remuneration of the Company's senior executives and directors:

Mr Alain Moussy, chairman and chief executive officer, receives compensation under his employment contract as approved by the Board of Directors. He also receives BSPCEs (entrepreneur start-up share warrants) and AGAPs as described in Paragraph 8.4.2 hereto.
Furthermore, Alain Moussy holds 332,000 BSA share warrants allotted in 2016 and subscribed in 2017 and 1,617,614 BSAR allotted in 2014 and subscribed in 2015.

Board of Directors members other than the chairman receive directors fees and do not receive any pay and benefits except for granted BSA share warrants.

The chairman and CEO's remuneration as stated below was expensed in the following years:

(€'000)	2019	31.12.2018
Short-term benefits	262	262
Share-based pay	68	94
Total	330	356

Transactions with senior executives and directors:

Some directors have shareholder current accounts that are exclusively reserved for interest paid in respect of 2004-issued convertible bonds, which later in the same year, were converted into preference shares.

Agreement with Alain Moussy:

Alain Moussy and the Company have signed an agreement for the Company to occupy his premises.

On 3 February 2010, the Board of Directors authorised the Chairman to sign an agreement between Alain Moussy and the Company, whereby he provides the Company's premises:

- 57 sq. m of office space, second floor right, in a building at 3, avenue George V, Paris 8th arrondissement,
- Annual rent including charges of €20,925 in 2019.

The rental agreement lasts one year and is tacitly renewable for a further twelve months. The Company has not paid Alain Moussy any rent security deposit and he is not entitled to any payment in return for signing this agreement.

Agreement with KPLM, for which Mr Jean-Pierre Kinet is managing partner:

A consulting contract between AB Science and KPLM, for which Mr Jean-Pierre Kinet is managing partner, has been signed. Jean-Pierre Kinet is also an AB Science director.

On 19 December 2016, the Board of Directors authorised the Chairman to sign a consulting services agreement between AB Science and KPLM, for which Mr Jean-Pierre Kinet is managing partner.
In 2019, KPLM invoiced AB Science €17,160 (before VAT).

Agreement with Ms Nathalie Riez:

On 29 April 2019 the Board of Directors authorised the Chairman to sign an agreement between the Company and Nathalie Riez, whereby the Company will pay for Nathalie Riez to undergo an education course entitled 'International Directors Programme' provided by business school Insead. Nathalie Riez attended the course in October 2018, January and March 2019.
The total fees of this course were €21,219 gross (i.e. incl. VAT) and €17,682.50 net.
The 2018 booked expense for this course was €7,073 net and in 2019 €10,609.50 net.
The Company has not paid Nathalie Riez any security deposit and she is not entitled to any payment in return for signing this agreement.

No other transactions between AB Science and its enior executives or directors were undertaken in respect of 2019.

27 Audit fees

Audit fees break down as follows:

2019 fees	**KPMG**		**Audit Conseil Union**	
	Statutory audit	Network	Statutory audit	Network
	Amount	Amount	Amount	Amount
Company and consolidated financial statements audit and interim accounts limited review • AB Science • Controlled entities	40,700	n/a	27,810	n/a
Sub-total A	40,700	0	27,810	0
Non-audit service disclosures as required by legislation and regulations • AB Science • Controlled entities				
Sub-total B	0	0	0	0
Non-audit services ordered by AB Science and subsidiaries • AB Science • Controlled entities				
Sub-total C	0	0	0	0
Non-audit services (1) *Sub-total D = B + C*	0			
TOTAL E = A + D	40,700	0	27,810	0
TOTAL	40,700		27,810	

28 Off-balance sheet commitments

Off-balance sheet commitments break down as follows:

(€'000)	2019	31.12.2018
Commitments given: *Commitment given (1)*	40 *40*	40 *40*
Commitments received: *BPIFrance:* *Grants receivable (2)* *Conditional advances receivable (2)*	935 *70* *865*	865 *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) These amounts represent commitments received from BPIFrance less payments received late December, excluding a €865,000 provision for the Romane project and €70,000 that are still owing. Repayment terms and conditions are as follows: AB Science will have to repay the grant only if the relevant project is successful as evidenced by Masitinib being registered as a neurology indicator. If so, the Company will:

- ✓ Repay the €3,300,000 over four years with effect from 30 June 2020
- ✓ Thereafter, over the following three years, pay interest at 1% of revenues up to €7m.

29 Post-balance sheet events

Clinical trials

- Positive results in progressive forms of multiple sclerosis

The Phase 2B/3 trial (AB07002) was a prospective, multicenter, randomized (2:1), double-blind, placebo-controlled, 2-parallel groups study evaluating oral masitinib as a treatment for progressive multiple sclerosis (MS). Eligible patients aged 18-75 years, with baseline Expanded Disability Status Scale (EDSS) 2.0–6.0, regardless of time-from-onset, and diagnosed with primary progressive (PPMS) or non-active secondary progressive (nSPMS) MS, were treated for 96 weeks.

The study met its primary analysis, demonstrating a statistically significant reduction in disability progression on EDSS with masitinib 4.5 mg/kg/day (p=0.0256). This treatment-effect was consistent for PPMS and nSPMS.

The sensitivity analysis based on ordinal EDSS change showed a significant 39% increased probability of having either more disease improvements or fewer disease progressions with masitinib treatment (p=0.0446). In addition, masitinib significantly reduced the risk of first disability progression by 42% and the risk of confirmed (3 months) disability progression by 37%. Masitinib also significantly reduced the risk of reaching an EDSS score of 7.0, corresponding to disability severe enough that the patient is restricted to a wheelchair (p=0.0093).

Safety was consistent with the known profile for masitinib.

No significant treatment-effect on EDSS was observed for high-dose masitinib (6 mg/kg/day).

There are two main forms of multiple sclerosis (MS), relapsing remitting (RRMS) and progressive (PMS). While significant progress has been made in the relapsing form of MS, with 15 approved drugs, there is still a very high unmet medical need for treating patients with primary progressive MS (PPMS) and non-active secondary progressive MS (nSPMS), with no approved drugs for nSPMS and only one for PPMS.

AB Science will consult with the FDA (through EOP2 meeting) and with the EMA (through Scientific Advice) to discuss the appropriate pathway forward for masitinib in the treatment of progressive forms of multiple sclerosis, including the possibility to file based on study AB07002 as a single pivotal trial and the design of a confirmatory study if required.

- FDA authorisation to start the confirmatory phase 3 study in amyotrophic lateral sclerosis

The U.S. Food and Drug Administration (FDA) has cleared the company's Investigational New Drug (IND) application, allowing the Company to initiate its masitinib Phase 3 study (AB19001) in amyotrophic lateral sclerosis (ALS).

Study AB19001 is an international, multicenter, randomized, double-blind, placebo-controlled, 3-parallel group, Phase 3 study to compare the efficacy and safety of masitinib in combination with riluzole versus placebo in combination with riluzole for the treatment of patients suffering from ALS.

The study's primary endpoint is the absolute change from baseline in functional score as assessed using the Amyotrophic Lateral Sclerosis Functional Rating Scale-revised (ALSFRS-R) after 48 weeks of treatment. The main secondary endpoint is the Combined Assessment of Function and Survival (CAFS).

The trial must recruit 495 patients who will be randomised in one of the following 3 treatment groups according to a 1:1:1 ratio.

- Group 1: Masitinib dose starting at 3.0mg/kg/day and rising to 4.5mg/kg/day, plus riluzole
- Group 2: Masitinib dose starting at 3.0mg/kg/day and rising to 4.5mg/kg/day and lastly 6.0 mg/kg/day, plus riluzole
- Group 3: Placebo plus riluzole.

The AB19001 study seeks to confirm the outcome of the first phase 2/3 (AB10015) study, which showed that Masitinib 4.5mg/kg/day dose together with riluzole could significantly slow the ALSFRS-R score reduction by 27% compared to riluzole alone after 48 weeks treatment (p-value <0.05).

Evidence of a dose-response effect was observed in study AB10015 at doses of 3.0 mg/kg/day and 4.5 mg/kg/day, with an acceptable safety profile. Therefore, the confirmatory study will assess an even higher dose of 6.0 mg/kg/day in one of the two active treatment arms.

The design of the confirmatory phase 3 study benefited from assistance to the protocol from the European Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency, which offers a special scientific opinion procedure for products with orphan drug status.

- FDA authorisation for patient recruitment in Phase 3 study in prostate cancer

The U.S. Food and Drug Administration (FDA) has cleared the company's Investigational New Drug (IND) application to conduct its masitinib Phase 3 study (AB12003) in metastatic castrate-resistant prostate cancer (mCRPC) eligible to chemotherapy.

Study AB12003 is an international, multicenter, randomized, double blind, placebo-controlled, 2-parallel group, Phase 3 study in metastatic castrate resistant prostate cancer (mCRPC) eligible to chemotherapy. The study aims to compare the efficacy and safety of masitinib (6.0 mg/kg/day) in combination with docetaxel to placebo in combination with docetaxel. Docetaxel is combined with prednisone.

The study primary endpoint is progression free survival (PFS). A total of 468 patients are planned to be enrolled.

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.

An interim analysis was carried out by the Independent Data Monitoring Committee (IDMC) in June 2018. Based on the rules defined for the interim analysis, the IDMC recommendation was to continue the study in a subgroup of patients identified using a biomarker. According to the statistical rule of the protocol for the interim analysis, this means that the probability of success of study AB12003 is greater than 80% in this subgroup of patients, if the patients remaining to be recruited generate the same data as those analysed for the interim analysis. This subgroup of patients represents approximately two thirds of the population.

Fundraising

In March 2020, AB Science carried out a fundraising generating 12.3 million euros due to the success of a private placement, the exercise of share warrants (subscribed by way of the private placement of August 2019) and the implementation of the financing agreement put in place to pre-finance the 2019 research tax credit:

- The private placement resulted in the issuance of 860,220 ordinary shares, raising gross proceeds of approximately 6.4 million euros. The placement price was set at €7.44 per share. This price is equal to the volume weighted average price per ordinary share of AB Science during the last two trading sessions preceding the price fixing date.
- The exercise of share warrants under the August 2019 private placement raised 1.23 million euros per the exercise of 449,014 share warrants. An investor subscribing for ABSAs in August 2019 informed AB Science on 28 February 2020 of its decision to exercise 449,014 share warrants and thus to subscribe for 224,507 new ordinary shares.
- Adopting the funding option allowing early receipt of 2019 research tax credit as reported on 6 November 2019 raised €4.70 million. In application of the provisions of the contract, this sum will bear interest at the US LIBOR rate 3 months + 2.50% per annum and must be repaid by AB Science after payment of the 2019 research tax credit by the tax authorities, scheduled for the second half of 2020.

The proceeds of all the operations described above will be used by AB Science for its general needs and in order to finance its clinical development program. Net proceeds for AB Science from the three operations described above are estimated at around €12 million.

Covid-19

At the time of this report, we expect that the COVID-19 pandemic will have limited impact on our clinical development program, as this crisis struck at a time when most of our on-going clinical studies were completed and new confirmatory studies were not yet initiated.

Data integrity is not affected for any of our programs as a result of the pandemic. The only trial with patients still under treatment is our phase 3 trial in prostate cancer (AB12003). In this study, we continue to work closely with our contract research organizations to monitor the safety of patients who are participating in the study. We have not observed any discontinuations nor deaths due to COVID-19.

For the studies to be read out, phase 2b/3 Alzheimer's Disease AB9004, phase 3 Severe Asthma with High Eosinophils AB14001, phase 3 Pancreatic Cancer AB12005 and phase 3 Metastatic Prostate Cancer AB12003, the potential impact could be a delay of up to a couple of months in study read-out timing, due to more difficult access to the clinical sites to perform quality control checks before the database lock.

For the new phase 3 Mastocytosis (AB15003) and ALS (AB19001) confirmatory studies, patient enrollment will start once post-pandemic conditions permit proper access to the sites, which may delay the enrollment date initially planned in March 2020 by up to 3 months. This decision is necessary to ensure the safety and well-being of our employees, the patients and the healthcare professionals involved in our clinical trials, and to ensure the integrity of these trials.

AB Science remains in constant contact with our global network of key suppliers, manufacturing partners, and contract research organizations to identify potential risks and take appropriate measures to avoid any disruption. At this time, we do not anticipate any supply disruptions.

We have put into place remote operations and new policies to maintain the safety and well-being of our employees, in line with international COVID guidelines, while working to maintain business continuity.

The financing of the AB science operations for the financial year 2020 is described in §§ 4. Post-balance sheet events - Fundraising and 5 Accounting policies and methods of the appendix to the Company accounts.

There have been no post-balance sheet events that may have a material impact on the Group's accounts.

COMPANY ACCOUNTS FOR THE YEAR ENDING 31 DECEMBER 2019

BALANCE SHEET FOR THE YEAR ENDING 31 DECEMBER 2019

Assets

ACCOUNTS	GROSS	Depreciation and impairment	Net (N) 31/12/2019	Net (N-1) 31/12/2018
ISSUED UNCALLED SHARE CAPITAL				
INTANGIBLE ASSETS				
Incorporation costs	7,416	7,416		
Development costs				
Licences, patents and similar rights	3,740,025	2,850,605	889,420	979,749
Business goodwill				
Other intangible fixed assets				
Intangible asset advances and payments on account				
TOTAL intangible assets	**3,747,441**	**2,858,021**	**889,420**	**979,749**
TANGIBLE ASSETS				
Land				
Buildings				
Plant & machinery, fixtures & fittings	641,849	511,589	130,260	66,126
Other tangible fixed assets	564,613	501,694	62,919	86,518
Fixed assets in progress				
Advances and payments on account				
TOTAL tangible assets	**1,206,462**	**1,013,283**	**193,179**	**152,644**
FINANCIAL FIXED ASSETS				
Equity-method associates				
Other equity investments	171,394	171,394		
Receivables from equity investments				
Other fixed asset investments				
Loans	137,000		137,000	102,000
Other financial fixed assets	66,839		66,839	54,466
TOTAL financial fixed assets	**375,233**	**171,394**	**203,839**	**156,466**
FIXED ASSETS	**5,329,136**	**4,042,698**	**1,286,438**	**1,288,859**
INVENTORIES AND WIP				
Raw materials and supplies	680,262	680,262		
WIP - goods	412,942	209,405	203,537	142,200
WIP - services				
Finished goods and components	58,962	32,205	26,757	10,312
Traded goods				
TOTAL inventories and WIP:	**1,152,166**	**921,872**	**230,294**	**152,512**
RECEIVABLES				
Advances and payments on account paid to suppliers				
Trade receivables	197,473		197,473	236,475
Other receivables	7,723;221	388,149	7,335;072	8,065,192
Issued, called-up and unpaid share capital				
TOTAL receivables:	**7,920;694**	**388,149**	**7,532;545**	**8,330;812**
CASH AND OTHER				
Marketable securities				6,000,467
Cash	5,632,935		5,632,935	5,472,981
Prepaid expenses	483,324		483,324	636,071
TOTAL cash and other:	**6,116;259**		**6,116;259**	**12,109,518**
CURRENT ASSETS	**15,189;119**	**1,310;021**	**13,879;098**	**20,592;843**
Deferred borrowing issue costs				
Bond redemption premiums				
Currency translation assets	19,381		19,381	23,249
GRAND TOTAL	**20,537;636**	**5,352;719**	**15,184;917**	**21,904;951**

Liabilities & equity

ACCOUNTS	Net (N) 31/12/2019	Net (N) 31/12/2018
NET ASSETS		
Share capital social of which paid in €440,603	440,603	415,972
Share premium account	216,016,446	206,301;495
Revaluation reserve of which associates		
Statutory reserve		
Articles of association or contractual reserves		
Regulatory reserves		
Other reserves		
Retained earnings	(213,583,231)	(184,943,632)
Retained loss for the year	(-17,308,432)	(28,639,599)
TOTAL net assets:	**(14,434,614)**	**(6,865,763)**
INVESTMENT GRANTS		
REGULATORY PROVISIONS		
EQUITY	**(14,434,614)**	**(6,865,763)**
Proceeds from issue of equity securities		
Conditional advances	10,196;600	9,331;391
OTHER EQUITY ACCOUNTS	**10,196,600**	**9,331;391**
Provisions for risks	256,793	168,249
Provisions for charges		
PROVISIONS FOR RISKS AND CHARGES	256,793	**168,249**
FINANCIAL LIABILITIES		
Convertible bonds		
Other bonds		
Borrowings and payables due to credit institutions	12,141	21,741
Misc. financial liabilities	14,086	14,086
TOTAL financial liabilities	**26,227**	**35,826**
ADVANCES AND PAYMENTS ON ACCOUNT RECEIVED		
SUNDRY PAYABLES		
Trade payables	15,003;334	15,036,292
Tax and social security payables	3,853;639	3,970,939
Fixed asset payables		
Other payables	60,282	14,738
TOTAL sundry payables	**18,917;255**	**19,021,969**
PREPAID EXPENSES		
LIABILITIES	**18,943;482**	**19,057,795**
Currency translation liabilities	222,656	213,279
GRAND TOTAL	**15,184;917**	**21,904;951**

INCOME STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2019

Period from 01/01/2019	to 31/12/2019	
ACCOUNTS	**Net (N) 31/12/2019**	**Net (N) 31/12/2018**
Sales of traded goods	1,546,707	1,674,310
Sales of services	24,483	(32,273)
Net revenues	**1,571,190**	**1,642,037**
Inventoried production	209,113	17,499
Capitalised production		
Operating grants	1,000	70,787
Impairment and provision write-backs, expense transfers	127,142	220,093
Other income	1,017,518	4,799
OPERATING INCOME	**2,925,963**	**1,955,214**
EXTERNAL EXPENSES		
Purchase of traded goods and customs dues		
Change in traded goods inventory		
Purchase of raw materials and other supplies	259,085	241,465
Change in raw materials and other supplies inventory	699	178,857
Other purchases and external charges	13,660,437	24,524,000
TOTAL external expenses:	**13,920,221**	**24,944,322**
MISC TAXES & DUES	126,629	264,436
STAFF COSTS		
Gross pay and benefits	6,842;661	7,484,233
Social security charges	2,484;125	3,069,575
TOTAL staff costs:	**9,326;786**	**10,553,808**
OPERATING PROVISION CHARGES		
FIX ASSET DEPRECIATION	439,685	612,356
FIX ASSET IMPAIRMENT		
CURRENT ASSET IMPAIRMENT	274,345	99,826
Provisions for risks and charges	180,912	145,000
TOTAL operating provision charges:	**894,942**	**857,182**
OTHER OPERATING COSTS	30,086	44,382
OPERATING COSTS	**24,298;664**	**36,664,131**
OPERATING LOSS	**(21,372,701)**	**(34,708,916)**
Attributable profit or transferred loss		
Attributable loss or transferred profit		
FINANCIAL INCOME		
Financial income from equity investments		
Income from other fixed asset investments and receivables		
Other interest and similar income	13,777	15,748
Provision write-backs and expense transfers	23,249	8,973
Exchange gains	5,831	76,975
Net gains on sale of marketable securities		
	42,857	**101,696**
FIANCIAL EXPENSES		
Financial impairment and provision charges	19,381	23,313
INTEREST AND SIMILAR COSTS	25,151	23,106
Exchange losses	73,577	38,395
Net losses on sale of marketable securities		
	118,109	**84,813**
NET FINANCIAL INCOME/(LOSS)	**(75,252)**	**16,883**
PRE-TAX LOSS	**(21,561,847)**	**(34,692,034)**

Period from	01/01/2019	to	31/12/2019
ACCOUNTS		**Net (N) 31/12/2019**	**Net (N) 31/12/2018**
NON-RECURRING INCOME			
Non-recurring operating income		17,967	374,490
Non-recurring income on capital transactions			
Provision write-backs and expense transfers			
		17,967	**374,490**
NON-RECURRING EXPENSES			
Non-recurring expenses on operating activities			1,182
Non-recurring expenses on capital transactions			
Non-recurring impairment and provision charges			
			1,182
NET NON-RECURRING INCOME		**17,967**	**373,307**
Staff profit-share			
Corporate income tax		(4,121,554)	(5,679,127)
TOTAL INCOME		**2,986,787**	**2,431,400**
TOTAL EXPENSES		**20,295;219**	**31,070,999**
NET PROFIT/ (LOSS)		**(17,308,432)**	**(28,639,599)**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Background and presentation

AB Science is a pharmaceutical company, which researches and develops therapeutic molecules for treating people and animals, with a view to manufacturing and selling medicinal products.

Company key figures since formation (€'000):

	From 7/2001 to 31/12/2014	2015	2016	2017	2018	2019	Total
Share issues	329	21	36	30	0	24	440
Issue premium increase	85,386	25,288	53,221	42,346	+60	9,715	+216,016
TOTAL	85,715	25,309	53,257	42,376	+60	9,715	+216,016
Research tax credits	30,040	5,486	6,890	6,557	5,679	4,122	58,774
Loss for the year	103,135	26,478	27,270	28,059	28,640	17,308	230,890
Outsourced research costs	73,225	21,121	25,291	25,112	22,179	11,316	178,244
Staff costs	51,068	9,612	9,680	8,491	10,554	9,327	98,732

2 Research programme funding risks

2.1 Operating risks

Scientific research is a high-risk activity, the outcome of which is uncertain because it is based on:

- Fundraising capacity until research programmes are complete.
- Research programme results which may lead to winding up the programmes.
- Change in the competitive and legal environment that may affect the potential benefits of the research programmes.
- Availability of suitable staff (e.g. staff ill or leaving the company etc).
- Use of patents and patent litigation.

2.2 Funding research programmes

Funds are derived from:

- Share and bond issues as and when further funds are required to pay for ongoing research programmes,
- Government aid and grants paid by organisations funding French scientific research.
- the reimbursement of the research tax credit, the amount of which is €4,122,000 for the year 2019.
- Masitinib veterinary operating revenues.

3 Highlights for the year

Clinical studies

- Lifting of the ANSM clinical hold

The French National Agency for the Safety of Medicines and Health Products (ANSM) lifted its decision to suspend clinical studies promoted by AB Science in France on 28 May 2019.

As a reminder, the ANSM decision to suspend clinical studies was made on 11 May 2017.

The decision to lift the suspension was based on:

- On the one hand, a deep restructuring of the company initiated after the ANSM's suspension decision in May 2017. This restructuring focused on the organisation of clinical development, starting with the pharmacovigilance department, the implementation of a new quality management system, new IT tools, and a re-evaluation of all the tolerance data of masitinib under this new system.

- On the other hand, an ANSM inspection that checked whether the conditions for lifting the decision to suspend clinical studies were met.

- Positive results in severe asthma

AB Science reported postitive results of a first phase 2/3 study with masitinb in severe asthma. The Phase 3 trial (AB07015) was a prospective, multicenter, randomised, double-blind, placebo-controlled, 2-parallel groups, Phase 3 study to compare the efficacy and the safety of masitinib at 6 mg/kg/day versus placebo in the treatment of patients with severe persistent asthma uncontrolled by oral corticosteroids. The study enrolled 355 assessable patients.

The pre specified primary endpoint of the protocol was the severe asthma exacerbation rate (i.e. the number of severe asthma exacerbations divided by the time under treatment for the overall protocol period). This overall protocol period consisted of the main protocol period (from baseline to week 36 time point) together with the extension period (after the week 36, patients could continue treatment in their original treatment arm without unblinding). This overall protocol period was well balanced between the two treatment arms.

Study AB07015 demonstrated efficacy in a difficult to treat population, with 100% of patients receiving high dose (OCS) maintenance therapy, but not required to have high blood eosinophil levels. Results demonstrating masitinib's reduction of severe asthma exacerbations were consistent and robust.

- The pre-specified primary analysis was conducted in the severe asthma population with daily OCS ≥ 7.5 mg and masitinib treatment was associated with a significant reduction in severe asthma exacerbations. This positive primary analysis detected a 35% statistically significant reduction (p=0.0103) in severe exacerbation rate between masitinib and placebo. The study also demonstrated a significant treatment effect in the Intent-To-Treat (ITT) population, which included (non-severe) patients with OCS < 7.5 mg (-33%, p=0.0156).
- There was a center effect, with greater efficacy noted in the EU countries (-51% reduction in severe asthma exacerbations, p=0.0038).
- The pre-specified analysis in the population of patients with severe asthma with high eosinophil counts (≥ 150 cells/µL) also demonstrated a statistically significant reduction in rate of severe asthma exacerbations (-38%, p=0.0156).

The masitinib safety profile was acceptable based on available data. The occurrence of adverse events (AEs) and serious adverse events (SAEs) was comparable between masitinib and placebo.

Masitinib is uniquely positioned in severe asthma with respect to administration (oral administration), mechanism of action, an identified target population, concomitant use of OCS, and eosinophil counts in the studied population.

A second Phase 3 trial (AB14001) is on-going with masitinib in asthma. It is a prospective, multicenter, randomised, double-blind, placebo-controlled, 2-parallel groups, Phase 3 study evaluating the efficacy and safety of masitinib in asthma uncontrolled by high-dose inhaled corticosteroids and with elevated eosinophil level. The primary endpoint of this study is the rate of severe asthma exacerbations over the treatment period.

- Results of the interim analysis in pancreatic cancer

The AB12005 study is an international confirmatory, randomised, placebo-controlled, phase 3 study in patients with locally advanced or metastatic non-operable pancreatic cancer, as first-line treatment and having pain on inclusion or taking opioids. The study compares the efficacy and safety of masitinib in combination with gemcitabine compared to a placebo in combination with gemcitabine.

The main endpoint of the study is overall survival (OS). The efficacy evaluation is planned in the overall study population and in the predefined subgroup of patients with non-operable locally advanced tumours and cancer-related pain. The distinction between locally advanced or metastatic inoperable status was a stratification factor, thereby ensuring that treatment groups were not biased for this known prognostic factor.

The study planned to include 330 patients. The study recruitment has been completed.

In June 2019, the Independent Data Monitoring Committee (IDMC) recommended that the study be continued on the basis of the interim analysis.

An interim analysis by IDMC was scheduled after 50% of the events (in this case, the patient's death) had been reached. The interim analysis tests futility and conditional power greater than 80% (i.e. the probability of success). The protocol defines in a forward-looking manner the following scenarios based on the results of the interim analysis: a) stopping the study in the event of futility; b) continuation of the study if the conditional power test greater than 80% is positive, with or without an increase in the size of the patient sample; c) intermediate situation between the two aforementioned scenarios. It is scenario (b) that makes the interim analysis decisive for the continuation of the study.

In the predefined subgroup of patients with locally advanced non-operable tumours, the IDMC recommended continuing the study without modifying the sample size, which corresponds to scenario (b). In the overall population, the interim data correspond to scenario (a) or (c). The IDMC decided that it was not necessary to distinguish between these two scenarios, since the recruitment had been completed at the time of the interim analysis. The IDMC did not recommend a discontinuation of treatment for these patients.

According to the rules defined for the interim analysis, this IDMC recommendation means that the probability of success of the study is greater than 80% in the selected sub-population, assuming that patients recruited after the interim analysis generate the same data as those analysed for the interim analysis.

- Results of the interim analysis in Alzheimer’s disease

The AB09004 study is an international, randomised, placebo-controlled phase 3 study evaluating masitinib in patients with Alzheimer's disease in its mild or moderate form.

The study compares the efficacy and tolerance of masitinib given in addition to a cholinesterase inhibitor (donepezil, rivastigmine or galantamine) and/or memantine compared to a placebo given in addition to a cholinesterase inhibitor and/or memantine.

Two doses of masitinib are evaluated, a dose of masitinib at 4.5 mg/kg/day and a gradual increase from 4.5 to 6 mg/kg/day, each dose having its own control arm.

The primary endpoint is the ADAS-Cog score, which measures cognition and memory, and the secondary endpoint is the ADCS-ADL score, which measures independence and daily living activities.

The study recruited 720 patients. Recruitment for the trial has been completes. All patients attended their last visit and have now left the trial.

In June 2019, the results of the intermediate analysis of the masitinib trial in the Alzheimer’s disease showed a positive tendency of effectiveness in one of the tested doses.

The intermediate analysis was planned with 75% of the patients having been treated for a period of six months.

The intermediate analysis tests futility and conditional power greater than 80% (i.e., the probability of success greater than 80%). The protocol defines in a forward-looking manner the following scenarios based on the results of the interim analysis: a) stopping the study in the event of futility; b) continuation of the study if the conditional power test greater than 80% is positive, with or without an increase in the size of the patient sample; c) intermediate situation between the two aforementioned scenarios. It is scenario b) that makes the intermediate analysis decisive for continuing the trial.

According to the rules defined in the protocol, it is scenario b) that was detected on one of the two doses texted at the time of the intermediate analysis.

- ANSM authorisation to start the confirmatory phase 3 study in indolent systemic mastocytosis

AB Science has been authorized by the French Medicine Agency, ANSM, to initiate the Phase 3 confirmatory study evaluating masitinib in indolent systemic mastocytosis.

This study (AB15003) is a multicenter, randomized, double blind, placebo-controlled, phase 3 study to compare the efficacy and safety of masitinib dose titration up to 6 mg/kg/day with that of placebo in treatment of patients with severe indolent systemic mastocytosis, unresponsive to optimal symptomatic treatment.

The study is designed to enroll 140 patients with or without the D816V mutation of c-Kit. The primary endpoint is a measure of the cumulative response on 3 severe symptoms of mast cell mediator release (pruritus, flush and

depression) from week 8 to week 24. Secondary endpoints will measure response on the severe symptoms of pruritus, flushes, depression, and fatigue, taken together and individually, quality of life, as well as biological (tryptase) and skin involvement parameters. Under this protocol, severe symptoms of mast cell mediator release (also referred to as handicaps) are defined as: pruritus (score ≥ 9), flush (score ≥ 8), depression (HAMD-17 ≥ 19), and fatigue (FIS ≥ 75 or FSS ≥ 36).

Three optimizations of the phase 3 confirmatory study have been implemented based on the first phase 3 and are increasing the probability of success of the study.

- Dose titration: In the first phase 3 study, the starting dose of treatment was 6 mg/kg/day. This led to 20% treatment discontinuation, with discontinuation being counted as treatment failure in the analysis, hence penalizing masitinib. With dose titration from 3.0 to 4.5 and then 6.0 mg over two months period, marginal discontinuation rate is expected, which will favor efficacy assessment of masitinib.
- Recording of rescue therapy: In the first phase 3 study, patients could take rescue treatment in case of worsening of symptoms, which favored the placebo arm. In the new study, rescue treatment will be counted as treatment failure in the analysis.
- Run-in period: In the first phase 3 study, there was no run-in to ensure that patients were taking optimal symptomatic treatment at screening. In new study, one-month run-in period to control failure to symptomatic treatment.

The design of the confirmatory phase 3 study benefited from scientific advice and recommendations from health authorities.

Other events

- Private placement

AB Science successfully completed a private placement of shares with warrants attached ("ABSA") allowing it to raise gross proceeds of €10 million. The net commission income received by AB Science amounted to €9.7 million. 2,463,054 ABSAs were issued at €4.06 each.

All ABSAs comprise one ordinary share and one share warrant ("BSA"). The BSAs will allow holders to subscribe 1,231,527 additional new shares at €5.5 per share.
The BSAs are exercisable for five years from their issue. They are not listed on Euronext Paris. If all of the BSAs are exercised, the Company will raise additional gross proceeds of 6.8 million euros.

- Investment security transactions:

During 2019:

- 333,000 stocks options were allotted
- 1,260,000 share warrants were allotted and subscribed in 2019.

- Other information:

AB Science confirms its shares qualify for PEA-PME (French SME personal equity plan) pursuant to 4 March 2014 Decree no. 2014-283 to apply Article 70 of 2014 Finance Act no. 2013-1278 dated 29 December 2013 that established PEA-PME company eligibility criteria as follows: either less than 5,000 employees, annual revenues under €1.5 billion or total balance sheet assets under €2 billion.

4 Post-balance sheet events

Clinical trials

- Positive results in progressive forms of multiple sclerosis

The Phase 2B/3 trial (AB07002) was a prospective, multicenter, randomized (2:1), double-blind, placebo-controlled, 2-parallel groups study evaluating oral masitinib as a treatment for progressive multiple sclerosis (MS). Eligible patients aged 18-75 years, with baseline Expanded Disability Status Scale (EDSS) 2.0–6.0, regardless of time-from-onset, and diagnosed with primary progressive (PPMS) or non-active secondary progressive (nSPMS) MS, were treated for 96 weeks.

The study met its primary analysis, demonstrating a statistically significant reduction in disability progression on EDSS with masitinib 4.5 mg/kg/day (p=0.0256). This treatment-effect was consistent for PPMS and nSPMS.

The sensitivity analysis based on ordinal EDSS change showed a significant 39% increased probability of having either more disease improvements or fewer disease progressions with masitinib treatment (p=0.0446). In addition, masitinib significantly reduced the risk of first disability progression by 42% and the risk of confirmed (3 months) disability progression by 37%. Masitinib also significantly reduced the risk of reaching an EDSS score of 7.0, corresponding to disability severe enough that the patient is restricted to a wheelchair (p=0.0093).

Safety was consistent with the known profile for masitinib.

No significant treatment-effect on EDSS was observed for high-dose masitinib (6 mg/kg/day).

There are two main forms of multiple sclerosis (MS), relapsing remitting (RRMS) and progressive (PMS). While significant progress has been made in the relapsing form of MS, with 15 approved drugs, there is still a very high unmet medical need for treating patients with primary progressive MS (PPMS) and non-active secondary progressive MS (nSPMS), with no approved drugs for nSPMS and only one for PPMS.

AB Science will consult with the FDA (through EOP2 meeting) and with the EMA (through Scientific Advice) to discuss the appropriate pathway forward for masitinib in the treatment of progressive forms of multiple sclerosis, including the possibility to file based on study AB07002 as a single pivotal trial and the design of a confirmatory study if required.

- FDA authorisation to start the confirmatory phase 3 study in amyotrophic lateral sclerosis

The U.S. Food and Drug Administration (FDA) has cleared the company's Investigational New Drug (IND) application, allowing the Company to initiate its masitinib Phase 3 study (AB19001) in amyotrophic lateral sclerosis (ALS).

Study AB19001 is an international, multicenter, randomized, double-blind, placebo-controlled, 3-parallel group, Phase 3 study to compare the efficacy and safety of masitinib in combination with riluzole versus placebo in combination with riluzole for the treatment of patients suffering from ALS.

The study’s primary endpoint is the absolute change from baseline in functional score as assessed using the Amyotrophic Lateral Sclerosis Functional Rating Scale-revised (ALSFRS-R) after 48 weeks of treatment. The main secondary endpoint is the Combined Assessment of Function and Survival (CAFS).

The trial must recruit 495 patients who will be randomised in one of the following 3 treatment groups according to a 1:1:1 ratio.

- Group 1: Masitinib dose starting at 3.0mg/kg/day and rising to 4.5mg/kg/day, plus riluzole
- Group 2: Masitinib dose starting at 3.0mg/kg/day and rising to 4.5mg/kg/day and lastly 6.0 mg/kg/day, plus riluzole
- Group 3: Placebo plus riluzole.

The AB19001 study seeks to confirm the outcome of the first phase 2/3 (AB10015) study, which showed that Masitinib 4.5mg/kg/day dose together with riluzole could significantly slow the ALSFRS-R score reduction by 27% compared to riluzole alone after 48 weeks treatment (p-value <0.05).

Evidence of a dose-response effect was observed in study AB10015 at doses of 3.0 mg/kg/day and 4.5 mg/kg/day, with an acceptable safety profile. Therefore, the confirmatory study will assess an even higher dose of 6.0 mg/kg/day in one of the two active treatment arms.

The design of the confirmatory phase 3 study benefited from assistance to the protocol from the European Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency, which offers a special scientific opinion procedure for products with orphan drug status.

- FDA authorisation for patient recruitment in Phase 3 study in prostate cancer

The U.S. Food and Drug Administration (FDA) has cleared the company's Investigational New Drug (IND) application to conduct its masitinib Phase 3 study (AB12003) in metastatic castrate-resistant prostate cancer (mCRPC) eligible to chemotherapy.

Study AB12003 is an international, multicenter, randomized, double blind, placebo-controlled, 2-parallel group, Phase 3 study in metastatic castrate resistant prostate cancer (mCRPC) eligible to chemotherapy. The study aims to compare the efficacy and safety of masitinib (6.0 mg/kg/day) in combination with docetaxel to placebo in combination with docetaxel. Docetaxel is combined with prednisone.

The study primary endpoint is progression free survival (PFS). A total of 468 patients are planned to be enrolled.

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.

An interim analysis was carried out by the Independent Data Monitoring Committee (IDMC) in June 2018. Based on the rules defined for the interim analysis, the IDMC recommendation was to continue the study in a subgroup of patients identified using a biomarker. According to the statistical rule of the protocol for the interim analysis, this means that the probability of success of study AB12003 is greater than 80% in this subgroup of patients, if the patients remaining to be recruited generate the same data as those analysed for the interim analysis. This subgroup of patients represents approximately two thirds of the population.

Fundraising

In March 2020, AB Science carried out a fundraising generating 12.3 million euros due to the success of a private placement, the exercise of share warrants (subscribed by way of the private placement of August 2019) and the implementation of the financing agreement put in place to pre-finance the 2019 research tax credit:

- The private placement resulted in the issuance of 860,220 ordinary shares, raising gross proceeds of approximately 6.4 million euros. The placement price was set at €7.44 per share. This price is equal to the volume weighted average price per ordinary share of AB Science during the last two trading sessions preceding the price fixing date.
- The exercise of share warrants under the August 2019 private placement raised 1.23 million euros per the exercise of 449,014 share warrants. An investor subscribing for ABSAs in August 2019 informed AB Science on 28 February 2020 of its decision to exercise 449,014 share warrants and thus to subscribe for 224,507 new ordinary shares.
- Adopting the funding option allowing early receipt of 2019 research tax credit as reported on 6 November 2019 raised €4.70 million. In application of the provisions of the contract, this sum will bear interest at the US LIBOR rate 3 months + 2.50% per annum and must be repaid by AB Science after payment of the 2019 research tax credit by the tax authorities, scheduled for the second half of 2020.

The proceeds of all the operations described above will be used by AB Science for its general needs and in order to finance its clinical development program. Net proceeds for AB Science from the three operations described above are estimated at around €12 million.

Covid-19

At the time of this report, we expect that the COVID-19 pandemic will have limited impact on our clinical development program, as this crisis struck at a time when most of our on-going clinical studies were completed and new confirmatory studies were not yet initiated.

Data integrity is not affected for any of our programs as a result of the pandemic. The only trial with patients still under treatment is our phase 3 trial in prostate cancer (AB12003). In this study, we continue to work closely with our contract research organizations to monitor the safety of patients who are participating in the study. We have not observed any discontinuations nor deaths due to COVID-19.

For the studies to be read out, phase 2b/3 Alzheimer's Disease AB9004, phase 3 Severe Asthma with High Eosinophils AB14001, phase 3 Pancreatic Cancer AB12005 and phase 3 Metastatic Prostate Cancer AB12003, the potential impact could be a delay of up to a couple of months in study read-out timing, due to more difficult access to the clinical sites to perform quality control checks before the database lock.

For the new phase 3 Mastocytosis (AB15003) and ALS (AB19001) confirmatory studies, patient enrollment will start once post-pandemic conditions permit proper access to the sites, which may delay the enrollment date initially planned in March 2020 by up to 3 months. This decision is necessary to ensure the safety and well-being of our employees, the patients and the healthcare professionals involved in our clinical trials, and to ensure the integrity of these trials.

AB Science remains in constant contact with our global network of key suppliers, manufacturing partners, and contract research organizations to identify potential risks and take appropriate measures to avoid any disruption. At this time, we do not anticipate any supply disruptions.

We have put into place remote operations and new policies to maintain the safety and well-being of our employees, in line with international COVID guidelines, while working to maintain business continuity.

The financing of the AB science operations for the financial year 2020 is described in §§ 4. Post-balance sheet events - Fundraising and 5 Accounting policies and methods of the appendix to the Company accounts.

There have been no post-balance sheet events that may have a material impact on the Group's accounts.

5 Accounting policies and methods

As of 31 December 2019, the group held net cash of € 5.7 million (under the headings "Cash and cash equivalents and current financial assets", as detailed in chapters 11 and 12 of the notes to the consolidated financial statements) for current liabilities of € 19 million and current receivables of € 7.5 million, including € 4.1 million in 2019 research tax credit.

The financing of the operations until 31 December 2020 will be ensured on the one hand by a fundraising carried out on the market (6.4 million euros), the exercise of BSAs (1.2 million euros) and the pre-financing of the 2019 research tax credit (4 million euros), performed in March 2020, and on the other hand by several financing options, one of which is confirmed.

On this basis, the financial statements were closed in application of the principle of going concern.

5.1 Tangible and intangible assets

Intangible assets apart from research costs that are immediately expenses are recorded initially at cost. The same applies to tangible assets.
Fixed assets depreciation/amortisation is as follows:

Fixed asset type	Depreciation/amortisation method	Useful life
Fixtures and fittings	Straight line	3 years and 5 years
Office furniture	Straight line	5 years
Office equipment, IT hardware	Straight line	3 years
Production plant	Straight line	3 years and 5 years
Incorporation costs	Straight line	1 year
Patent filing costs	Straight line	1 year and 20 years
Software:	Straight line	1 year and 3 years

New patents that will give rise to economic benefits are amortised over 20 years.

5.2 Financial fixed assets, cash and marketable securities

Equity securities

Gross value represents cost. The book value of equity securities is measured under various criteria including underlying companies' net assets and prospects for growth.

Marketable securities

Marketable securities are carried at cost. Any unrealised losses are fully accrued without offset against any gains.

5.3 Inventories

Inventories are carried at cost and are written down depending on the party who will receive them and where they are placed in the manufacturing chain.
Inventories are measured at weighted average cost.

5.4 Receivables and payables

Receivables and payables are carried at face value.
Where necessary, a receivables impairment provision is booked to take account of any bad debt risk.

Expense recognition relating to ongoing research operations:

I – **With regard to expenses relating to ongoing research operations**, the costs are recognised according to the progress of the work, which is assessed based on the operational deadlines provided for in the contract, or if the contract does not specify such deadlines, pro rata temporis over the length of the contact on the balance sheet date.

II – **With regard to expenses relating to abandoned or discontinued research operations,** the costs are noted based on the general sales clauses of the subcontractor accepted by AB Science.

5.5 Foreign currency transactions

Foreign currency receivables and payables are booked at transaction date exchange rate. At the balance sheet date, they are converted into euros at closing rate and unrealised gains and losses arising therefrom are taken to currency gains/(losses). Unrealised currency losses are fully accrued under provisions for risks.
Currency gains and losses at the year-end on foreign currency cash are booked under earnings.

5.6 Provisions

Provisions for risks and charges are booked whenever the Company has a liability towards a third party that will probably or definitely result in an outflow of Company resources to such third party for no consideration. These provisions are estimated taking into account the most probable assumptions as of the balance sheet date.

5.7 Government aid

The Company benefits from some government aid in the form of grants or conditional advances.
Government aid is accounted for as follows: government grants are capitalised as assets if there is reasonable assurance that the Company will comply with the grant's conditions and that the grants have been received.
Grants that compensate for expenses incurred by the Group are systematically recognised in the income statement over the period during which the expenses are recognised.
A non-repayable government loan is treated as a government grant if there is reasonable assurance that the business will meet the conditions for the loan repayment expense. If not, it is classified as a liability. Conditional advances, whether or not attracting interest, are intended to fund research programmes. They are repaid if the relevant project is successful. These advances are posted to financial liabilities and, if necessary, written back to income should the relevant project be forecast to fail.

6 Balance sheet disclosures

6.1 Tangible and intangible assets

- Changes in assets stated at cost break down as follows:

€	COST 01/01/2019	+	-	COST 31/12/2019
INTANGIBLE ASSETS	3,782,868	274,744	310,171	3,747,441
TANGIBLE ASSETS	1,106,024	115,147	14,709	1,206,462
FINANCIAL ASSETS	327,860	77,683	30,310	375,233

TOTALS	**5,216,752**	**467,574**	**355,190**	**5,329,136**

The date for recording patent filing costs is the patent filing application date.

Intangible assets mainly correspond to patent filing costs, the value of patents is not included in the assets of AB Science.

- Changes in depreciation break down as follows:

€	**01/01/2019**	**+**	-	**31/12/2019**
INTANGIBLE ASSETS	2,803;120	365,072	310,171	2,858;021
TANGIBLE ASSETS	953,380	74,611	14,709	1,013;282
TOTALS	**3,756;500**	**439,683**	**324,880**	**3,871;303**

Breakdown of changes for the year:

€	**Increases**	**Reductions**
Patent filing costs amortisation	306,248	310,171
Software amortisation	58,824	
Plant and machinery depreciation	35,962	
Office equipment, IT hardware depreciation	35,448	4,694
Equipment, fixtures and fittings depreciation	2,842	
Office furniture depreciation	359	10,015
TOTAL	**439,683**	**324,880**

6.2 Financial fixed assets

Financial fixed assets at cost and net book value stand at €375,000 and €204,000 respectively, and break down as follows:

- Other equity investments: wholly-owned subsidiaries in USA and Canada amounting to €171,000 at cost. The investments have been written off for accounting purposes.
- Loans receivable: €137,000 of staff loans.
- Other financial fixed assets €67,000 of paid security deposits.

6.3 Inventories

At 31 December 2019, inventories stood at €230,000 (31 December 2018: €153,000) broken down as follows:

(€'000 and book values)	2019	31.12.2018
Inventories of raw materials and active ingredients	0	0
Semi-finished goods	204	142
Finished goods	27	10
Total inventories	230	153

6.4 Other receivables

This account amounts to €7,723,000 gross and €7,335,000 after impairment. and primarily consists of:

- 2019 Research Tax Credit for €4,122,000
- VAT: €1,243,000
- Supplier receivables: €199,000
- Credit notes receivable: €729,000
- Staff advances: €137,000
- Credit notes receivable: €729,000
- Conditional advances receivable: €865,000

6.4.1 Research tax credit details

The 2019 research tax credit represents a total amount of €4,122,000.

Research tax credit is calculated as follows:

DESCRIPTION	€'000
Depreciation of research equipment including overheads	36
Researchers and technicians staff costs	7,313
Young doctor staff costs	0
Overheads fixed charge	3,683
Patent filing and maintenance	261
Research orgainisation outsourcing costs	2,446
2019 grants received	0
2019 conditional advances receivable	0
Total research tax credit annual base	**13,739**
Research tax credit	**4,122**

6.5 Tradereceivables

Trade receivables amount to €197,000.

6.6 Marketable securities

At 31 December 2019, the Company held no marketable securities.

6.7 Prepaid expenses

Prepaid expenses at 31 December 2019 stood at €483,000 and largely relate to external expenses.

6.8 Income receivable details

At the balance sheet date, the total breaks down as follows:

	€'000
Credit notes receivable	729
Grant receivable	70
Sundry debtors and creditors	865
Other income receivable	55
TOTAL	1,719

6.9 Trade payables

This account totals €15,003,000. No payables fall due in more than one year.
The total comprises supplier payables of €8,131,000 and outstanding supplier invoices of €6,872,000.
"Supplier" payables correspond, for the most part, to invoices issued by organisations and service providers involved in research operations.

The Outstanding supplier invoices account comprises overhead supplier invoices and a large proportion of payables owing to research organisations and service providers.

6.10 Equity

6.10.1 Share capital

Mr Alain Moussy, AB Science Chairman, is the Company's largest shareholder.

At 31 December 2019, le capital social de the Company share capital stood at €440,602.97 consisting of 44,060,297 fully paid-up €0.01 nominal value shares. Share capital at 31 December 2019 is broken down between:

- 43,493,433 ordinary shares
- 41,458 preference shares ("preference shares") convertible into B class ordinary shares pursuant to Article 11. III. 7. Under the Company's articles of association, in the event of a public offer to buy or exchange Company shares, as from the date when the French financial markets regulator (AMF) issues its compliance statement thereon, the board of directors may decide that all A shares and all B shares are immediately convertible.
- 525,406 preferred shares 2016 ("preferred shares 2016"), category C.

At 31 December 2019 based on a €5.38 market price, all Company still exercisable equity instruments and new shares resulting therefrom break down as follows:

- Options, which have an exercise price greater than or equal to market price and for which exercise conditions are satisfied, subject to vesting conditions:
  - ✓ Stock options allotted to staff: 304,131
  - ✓ BSPCE: 2,182,588
  - ✓ BSA (French share warrants): 3,082,593 (including 2,463,054 BSAs entitling holders to acquire 1,231,527 shares)

  Exercise of these BSAs would lead to a €36,207,000 equity increase and a 9% equity dilution.

- There are no BSAs with exercise price above or equal to market price:
  - ✓ Stock options allotted to staff: 131,680

  Exercise of these options would lead to an increase in shareholders' equity of €1,919,000 and a capital dilution of 0.3%

- December 2016-issued preference shares entitling holders to convert them into ordinary shares, the terms of which are detailed under paragraph 8.6 hereto:
  - ✓ Preference shares convertible into ordinary shares: 1,947,148
  - ✓ Nominal BSA: 4,506
  - ✓ Capitalised BSA: 233,268

  Exercise of these preference shares and BSAs would lead to a €9,738,000 equity increase and a 4.7% equity dilution.

- Options based on specific performance criteria, the terms of which are specified under paragraphs 11.3, 11.4 and 11.5 hereto:
  - ✓ Stock options allotted to staff: 333,000
  - ✓ BSPCE: 3,118;082
  - ✓ BSA (French share warrants): 4,023;136
  - ✓ Conversion of AGAPs into ordinary shares: 4,145,800

  Exercise of these AGAPs would lead to a €85,468,000 equity increase and a 20.9% equity dilution.

Exercise of these equity instruments and all further allotments or issues would lead to a material equity dilution for shareholders.

Note that should all 18,274,405 warrants be exercised, equity would increase by €133 million.

6.10.2 Change in equity and other equity accounts:

€	Balance b/fwd	Increases	Reductions	At 31 December 2019
Share capital	415,972	24,631		440,603
Stock options/BEA	385,073	12,600		397,673
Share premium account	205,916,423	9,975,369	273,018	215,618,774
Loss for the year	(28,639,599)	(17,308,432)	(28,639,599)	(17,308,432)
Retained earnings	(184,943,632)	(28,639,599)		(213,583,231)
Total equity	**(6,865,763)**	**(35,935,431)**	**(28,366,581)**	**(14,434,613)**
Other equity accounts	**9,331;391**	**865,209**		**10,196;600**

6.10.3 Share issues

In August 2019, share capital increased by €24,630.54 following receipt of a private fund. The corresponding share premium amounted to € 9,702 thousand, for a total contribution of € 9,727 thousand.

During the 31 December 2009 general meeting, a double voting right (compared to other shares and in view of the proportion of share capital such double voting rights represent)was granted to all fully paid-up registered shares held by the same shareholder for at least two years, provided that the start date of said two-year period could not be prior to 1 April 2010. Said double voting right is also granted from issue date, should there be a capital increase by transfer from reserves, retained earnings or share premium account, in respect of registered shares allotted free of charge to a shareholder on account of old shares that gave said shareholder a double voting right.

As of 31 December 2019, share capital of the AB Science Group comprised 43,534,891 shares including 18,093,346 shares with double voting rights.

6.11 Conditional advances (other equity)

Conditional advances amount to €10,197,000 and break down as follows:

- Bpifrance conditional innovative project advance relating to the so-called APAS-IPK-Amélioration de la Prédictivité de l'Activité et de la Sélectivité des Inhibiteurs Kinase oncology project - €432,000. This conditional advance totals €4,432,000 to be paid over in 4 phases. Should the project succeed, as from the third year after market introduction, the Company will pay Bpifrance 1% of annual revenues earned with the project's products capped at €3.1m per year and in respect of two consecutive financial years.

- Bpifrance conditional innovative project advance relating to the so-called ROMANE project, which seeks to develop an innovative therapeutic molecule for Alzheimer sufferers - €5,764,000. This conditional advance totals €5,764,000 to be paid over in 3 phases.
  AB Science will have to repay the advance only if the project is successful as evidenced by Masitinib being registered as a neurology indicator. If so, the Company will:
  - ✓ Repay €5,764,000 over four years from 30 June 2020
  - ✓ Over the following three years, pay interest at 1% of revenues up to €7m.

6.12 Provisions

2018 and 2019 changes in provisions for charges excluding currency losses break down as follows:

(€'000)	Litigation	Tax provisions	Total
31-Dec-17	0	0	0
Charges	145		145
Used write-backs			0
Unused write-backs			0
31-Dec-18	145	0	145
Charges	181		181
Used write-backs	(11)		(11)
Unused write-backs	(78)		(78)
31-Dec-19	237	0	237

The 31 December 2019 litigation provision totalling €237,000 primarily relates to three industrial tribunal lawsuits arising from employment redundancies.

6.13 Expense accrual detail

Expense accruals break down as follows:

	€
Outstanding supplier invoices	6,872,457
Staff paid holiday provision	438,119

Staff payables	1,649,581
Accrued staff expense claims	24,668
Accrued social security charges on paid holiday provision	185,810
Accrued social security charges on bonuses payable	662,953
Government accrued expenses	54,484
Accrued bank interest	1,010
TOTAL	9,889,081

7 Income statement disclosures

7.1 Expense details

Expenses primarily comprise expenditure incurred with research organisations or service providers and research staff costs.

The main expenditure item is new molecule R&D costs that amounted to €11,316,000 before staff costs compared to €14,972,000 being 2019 total operating expenses before staff costs and research tax credit.

7.2 Product details

2019 Company revenues amounted to €1,571,000, which largely arose from selling veterinary medicinal products.

7.3 Non-recurring items breakdown

Non-recurring items were an €18,000 net gain that was primarily caused by writing back to income remaining old unclaimed trade payables.

8 Other disclosures

8.1 Headcount

The company's workforce as of 31 December 2019 was 100 people compared to 118 as of 31 December 2018.

The American subsidiary of the Company also had 2 employees as of 31 December 2019, compared to 4 as of 31 December 2018.
The Company’s Canadian subsidiary, which began trading in 2018, has 1 employee.

The Group had 103 employees at 31 December 2019 (31 December 2018: 123 employees), of which 98 in France, 2 in Germany, 2 in USA and 1 in Canada.

France headcount can be broken down by staff category as follows:

- Senior executive: 1 person
- Manager status: 92 people
- Non-manager status: 5 people

8.2 Staff liabilities

Staff liabilities relate to pension commitments.
The Company has not set aside a provision for retirement compensation.
The staff severance pay contingent liability at 31 December 2019, calculated pursuant to the collective length-of-service agreement, before social security charges amounted to €569,000.

AB Science pays pension contributions each month to organisations that will pay pensions to employees when they retire (under a defined contribution plan). Consequently there is no need to set aside pension provisions. The Company does not have any defined benefit pension plans.

8.3 Other given and received commitments

Commitments are as follows:

(€'000)	2019	31.12.2018
Commitments given:	40	40
Commitment given (1)	*40*	*40*
Commitments received:	935	865
BPIFrance:		
Grants receivable (2)	*70*	*0*
Conditional advances receivable (2)	*865*	*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) In respect of commitments received from BPIFrance less payments received as of the balance date, excluding €865,000 ROMANE project provisions for conditional advances receivable, terms of repayment are as follows:
AB Science will have to repay the advance only if the project is successful as evidenced by Masitinib being registered as a neurology indicator. If so, the Company will:

- Repay €3,300,000 over four years from 30 June 2020
- Over the following three years, pay interest at 1% of revenues capped at €7m.

8.4 Director pay

AB Science directors do not receive directors fees.

The executive pension liability is specified in the annual financial report (paragraph 7.4)

The CEO and deputy CEO did not receive any pay during 2019 for their duties.

8.5 Corporate income tax

Tax losses:

The Company may carry forward indefinitely its tax losses accumulated since its first financial year 2001.

Current balance:

Total 2001 to 2018 tax losses:	265,653,517
2019 loss:	21,289,364
Accumulated tax losses at 31 December 2019:	286,942;881

8.6 Consolidation

AB Science is a stand-alone company majority owned by individual shareholders. AB Science's accounts are not consolidated by any other company.

AB Science Group prepares IFRS-compliant consolidated financial statements.

8.7 List of subsidiaries and equity investments

Subsidiary name		Financial data			
	Investment net book value (€)	Share capital	Reserves and retained earnings	Equity interest held	2019 net earnings
AB Science LLC	0	$250,000	$(461,223)	100%	$20,000
AB Science Canada	0	CAD$100	CAD$(92,998)	100%	CAD$(151,336)

8.8 Related company and equity investment disclosures

Subsidiary name	Equity investment net book value	Net current account balance
AB Science LLC	0	0
AB Science Canada	0	0

8.9 Related party transaction disclosures

Related party transactions are not disclosed because (i) they relate to transactions with wholly-owned subsidiaries and (ii) transactions with Company directors that are stated in the consolidated financial statements and/or the annual financial report.

8.10 Receivables and payables maturity disclosures

RECEIVABLES MATURITY (€)	Gross	Due in up to 1 yr	More than 1 yr
Loans	137,000	137,000	
Other financial fixed assets	66,839		66,839
Other trade receivables	197,473	197,473	
Other receivables	7,723,221	7,687,039	36,182
Prepaid expenses	483,324	296,544	186,781
TOTAL	8,607,858	8,318,056	289,802

PAYABLES MATURITY (€)	Gross	Due in up to 1 yr	From 1 yr to 5 yrs	More than 5 yrs
Borrowings and payables due to credit institutions	12,142	7,202	4,939	
Trade payables	15,003,334	15,003,334		
Other payables	3,928,007	3,928,007		
TOTAL	18,943,483	18,938,544	4,939	0

8.11 Stock option plans

The following table gives the key features of the vesting stock option plans:

	PLANS									
	SO33C	SO10A	SO10B	SO10C	SO4A	SO4B	SO5A	SO4C	SO5B	SO5C
Board of Directors grant date	15/09/2009	18/03/2010	03/02/2010	03/02/2010	01/07/2010	29/10/2010	29/10/2010	03/09/2011	03/09/2011	17/02/2012
Vesting date	15/09/2012	18/03/2014	03/02/2013	03/02/2013	01/07/2014	29/10/2014	29/10/2014	03/09/2015	03/09/2015	17/02/2016
Plan maturity date	15/09/2019	18/03/2020	03/02/2020	03/02/2020	30/06/2020	28/10/2020	28/10/2020	02/09/2021	02/09/2021	16/02/2022
Number of allotted options	112	290000	10	9	5985	4015	97472	1334	102102	14000
Stock options / share (nominal value €0.01) ratio	1000	1	1000	1000	1	1	1	1	1	1
Exercise price *(€)*	7680.00	15.61	12280.00	12280.00	12.65	12.65	12.65	7.14	7.14	12.25
Performance criteria	N/A	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	PLANS									
	SO4D	SO5D	SO5E	SO6A	SO6B	SO6C	SO6D	SO6E	SO7A	SO9A
Board of Directors grant date	30/08/2012	17/02/2012	26/02/2013	14/05/2014	29/08/2014	24/04/2015	06/10/2015	28/04/2016	30/04/2018	06/12/2018
Vesting date	30/08/2016	17/02/2016	26/02/2017	14/05/2018	29/08/2018	24/04/2019	06/10/2019	28/04/2020	30/04/2022	06/12/2022
Plan maturity date	28/08/2022	16/02/2022	26/02/2023	13/05/2024	28/08/2024	23/04/2025	05/10/2025	27/04/2026	30/04/2028	06/12/2028
Number of allotted options	1373	196466	1500	116335	10875	79940	15550	110640	53000	25120
Stock options / share (nominal value €0.01) ratio	1	1	1	1	1	1	1	1	1	1
Exercise price *(€)*	10.18	10.18	16.89	11.96	10.03	15.8	13.01	17.29	12.65	12.00
Performance criteria	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	PLANS	
	SO19A	SO19B
Board of Directors grant date	20/05/2019	10/07/2019
Vesting date	31/07/2019	31/07/2019
Plan maturity date	31/10/2022	31/10/2022
Number of allotted options	274000	59000
Stock options / share (nominal value €0.01) ratio	1	1
Exercise price *(€)*	12	12
Performance criteria	Yes	Yes

Change in number of outstanding options

The number of outstanding options in respect of all plans changed as follows:

(number of options, with nominal value divided by 1,000)	**2019**	**31.12.2018**
Outstanding options b/fwd	**460,588**	**455,546**
Allotted options	333,000	78,120
Exercised options	0	0
Cancelled options	-25,729	-72,991
Expired options	-47.00	-87.30
Outstanding options c/fwd	**767,812**	**460,588**

At the balance sheet date, the total breaks down as follows:

(number of options)	**2019**	**31.12.2018**
Plans prior to 7/11/2002		
SO11A	0	0
SO11B	0	0
Plans post 7/11/2002		
SO11C	0	0
SO22A	0	0
SO22B	0	0
SO22C	0.00	0
SO22D	0.00	0
SO33A	0.00	0
SO33B	0.00	0
SO33C	0.00	47
SO10A	116,000	116,000
SO10B	0.00	0
SO10C	1.00	1
SO4A	1,826	2,139
SO4B	1145	1145
SO4C	353	353
SO5A	22,682	23,719
SO5B	24,183	27,866
SO5C	0	0
SO4D	0	0
SO5D	46,737	52,108
SO5E	0	0
SO6A	44,150	47,395
SO6B	875	875
SO6C	36,180	39,500
SO6D	9,000	9,000
SO6E	58,060	65,320
SO7A	48,500	50,000
SO9A	25,120	25,120
SO2019A	274,000	
SO2019B	59,000	
TOTAL	**767,812**	**460,588**

8.12 Share warrants

The combined General Meeting of 26 December 2008 decided to issue 85 independent share warrants (called "BSA4") at an issue price of 0.01 euros, each conferring the right to subscribe to 1,000 new ordinary shares with a nominal value of 0.01 euros for an exercise price per BSA of 7,680 euros, including a share premium of 7,670 euros. As of 31 December 2010, the 85 BSAs were allocated and subscribed.

The General Meeting of 31 December 2009 decided to issue 9 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to 1,000 new ordinary shares with a nominal value of 0.01 euros for an exercise price per BSA of 12,280 euros, including a share premium of 12,270 euros. As of 31 December 2010, the 9 BSAs were allotted and subscribed. As the exercise deadline has been reached and the BSAs have not been exercised during the allotted period, the 9 BSAs expired on 31 December 2016.

The General Meeting of 31 December 2009 decided to issue 830,000 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros. The General Meeting of February 27, 2010 fixed the exercise price per BSA at 15.61 euros, including a share premium of 15.60 euros. As of 31 December 2010, the 830,000 were allotted and subscribed. The exercise of the 830,000 BSAs is conditional up to 60% on the sale of masitinib for pancreatic cancer in humans (Registration or Temporary authorisation for group use). At the Board of Directors meeting of 14 December 2015, it was noted that

this objective had not been achieved and therefore noted that 498,000 BSAs had lapsed. As the balance of outstanding warrants (332,000) were not exercised during the exercise period, the expiration date of which was 3 February 2016, the Board of Directors therefore noted the lapsing of 332,000 BSAs at the 19 December 2016 meeting.

The General Meeting of 8 September 2010 decided to issue 5,000 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 12.65 euros, including a share premium of 12.64 euros. As of 31 December 2010, the 5.000 BSAs were allotted and subscribed. In 2013, 2,500 were declared expired. The remaining balance is therefore 2,500 BSAs for the year ending 31 December 2017. The Board of Directors noted the expiration of the remaining 2,500 BSAs at the 30 April 2018 meeting. The remaining balance is therefore zero for the year ending 31 December 2018.

The General Meeting of 30 March 2012 decided to delegate its authority to the Board of Directors for the purpose of issuing ordinary shares or securities giving access to the company's capital. The Board of Directors therefore decided on 30 August 2012 to issue 76,112 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 12.50 euros, including a share premium of 12.49 euros. The exercise of these warrants is conditional on the fulfilment of the conditions in note (1) of chapter 8.6 of this report. As of 31 December 2012, the 76.112 BSAs were allotted and subscribed.

The Board of Directors decided on 2 May 2012 to issue and allot 17,585 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 15.81 euros, including a share premium of 15.80 euros. As of 31 December 2012, the 17,585 BSAs were allotted and subscribed.

The General Meeting of 30 March 2012 decided to delegate its authority to the Board of Directors for the purpose of issuing ordinary shares or securities giving access to the company's capital. The Board of Directors therefore decided on 24 May 2013 to issue 15,285 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 17.98 euros, including a share premium of 17.97 euros. As of 31 December 2013, the 15,285 BSAs were allotted and subscribed.

The General Meeting of 27 June 2014 decided to delegate its authority to the Board of Directors for the purpose of issuing ordinary shares or securities giving access to the company's capital. The Board of Directors therefore decided on 29 August 2014 to issue 84,000 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 10.03 euros, including a share premium of 10.02 euros. As of 31 December 2014, the 84,000 BSAs were allotted and subscribed.
In 2015, 25,666 were declared expired. In 2018, 6,999 were declared expired. The balance of BSAs was 51,335 as of 31 December 2019.

On 1 November 2014, the Board of Directors used its authority delegated by the General Meeting of 27 June 2014 to issue and allot 1,647,024 redeemable share warrants (BSAR) at an issue price of 0.16 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 8.92 euros, including a share premium of 8.91 euros. As of 31 December 2015, the 1,647,024 BSAR were allotted and subscribed.
The main characteristics of these BSAR are as follows:

- The subscription of BSARs is subject to the joint signing of a pact at the general meetings of the company with the current majority shareholder (AMY SAS and Alain Moussy) and the signing of an undertaking to retain the shares issued from the BSAR until 30 August 2034.
- The unit subscription price is equal to the average Euronext Paris price over the last thirty trading sessions preceding the date of 31 October 2014, i.e. 8.92 euros, including a share premium of 8.91 euros.
- The BSARs are not be exercisable as long as the average share price of the Company during the last sixty trading days preceding the exercise date is less than 30 euros;
- The BSARs must be exercised if the average share price of the Company during the last sixty trading days preceding the exercise date is greater than 50 euros.

The General Meeting of 27 June 2014 decided to delegate its authority to the Board of Directors for the purpose of issuing ordinary shares or securities giving access to the company's capital. The Board of Directors therefore

decided on 31 August 2015 to issue 28,000 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 14.41 euros, including a share premium of 14.40 euros. As of 31 December 2015, the 28,000 BSAs were allotted and subscribed. In 2016, 14,000 BSAs were declared void by the Board of Directors on 30 August 2016. The remaining balance is therefore 14,000 BSAs as of 31 December 2019.

The General Meeting of 28 June 2016 decided to delegate its authority to the Board of Directors for the purpose of issuing ordinary shares or securities giving access to the company's capital. Thus:

- The Board of Directors decided on 30 August 2016 to issue and allot 14,000 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 13.30 euros, including a share premium of 13.29 euros.
  As of 31 December 2016, the 14,000 BSAs were allotted and subscribed.
  In 2018, 11,666 BSAs were declared expired by the Board of Directors on 30 April 2018. The remaining balance is therefore 2,334 BSAs as of 31 December 2019.

- The Board of Directors decided on 19 December 2016 to issue and allot 332,000 independent share warrants at a €0.01 issue price, each conferring the right to subscribe to one new ordinary share with a €0.01 nominal value and a per-BSA €15.61 exercise price including €15.60 share premium.
  As of 31 December 2017, the 332,000 BSAs were allotted and subscribed.

At the General Meeting of 9 December 2016 it was decided to modify the terms and conditions of the convertible bonds subscribed by the JP SPC 3 Valor Biotech II, JP SPC 3 Valor Biotech III, JP SPC 5 Valor Biotech IV and JP SPC 3 Obo FGP Private Equity funds on 31 May 2013, 28 May 2013, 28 May 2013 and 5 June 2013, respectively and to authorise the conversion of convertible bonds into preference shares, into convertible BSAs, into capitalised BSAs and into nominal BSAs. Thus:

- 60,000 convertible warrants were created allowing the purchase, from 1 January 2017 to 1 January 2026, of one ordinary share of the company for a subscription price of 10 euros.
- 8 nominal BSAs were issued allowing holders during specified periods (1 to 30 June 2017, 2018, 2019 and 2020), to convert their holdings at a fixed exercise price per ordinary share into a number of ordinary shares that will vary based on the stock market price. The selected share price cannot be less than 10 euros. 6 nominal BSAs were declared null and void. The remaining balance is therefore 2 BSAs for the year ending 31 December 2019.
- 4 capitalised BSAs have been created allowing the purchase from 01/06/2020 to 30/06/2020, at a fixed exercise price per ordinary share, of a number of variable ordinary shares based on the stock market price. The selected share price cannot be less than 10 euros.

The General Meeting of 28 June 2017 decided to delegate its authority to the Board of Directors for the purpose of issuing ordinary shares or securities giving access to the company's capital. Thus:

- The Board of Directors decided on 31 August 2017 to issue and allot 39,314 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 0.01 euros. The exercise period of these warrants is ten years.
  As of 31 December 2017, the 39,314 BSAs were allotted, subscribed and exercised in 2018.
- The Board of Directors decided on 18 December 2017 to issue and allocate 1,000,000 stock warrants at an issue price of 0.05 euros, each conferring the right to subscribe to a new common share with a nominal value of 0.01 euros for an exercise price per BSA of 11 euros, including a share premium of 10.99 euros. These share warrants were issued in December 2017 and subscribed in January 2018 by the company Quercegen as part of a collaborative project to assess the clinical development of the combination of masitinib with the compounds of Quercegen. The exercise of these warrants is conditional on the fulfilment of the conditions in note (3) of chapter 8.6 of this report.
- The Board of Directors decided on 29 January 2018 to issue and allocate 200,000 stock warrants at an issue price of 0.05 euros, each conferring the right to subscribe to a new common share with a nominal value of 0.01 euros for an exercise price per BSA of 12 euros, including a share premium of 11.99 euros. These BSAs were allotted respectively to JPL Pharma Consulting (100,000 BSAs) and to MD Consulting, in accordance with the service contracts concluded in January 2018 with these companies. Under the terms of these contracts, 40,000 BSAs are exercisable on the anniversary date of the contract, and the balance of the BSAs is conditional on the fulfilment of the conditions in note (3) of chapter 8.6 of this report. These share warrants were issued in January 2018 and subscribed in July 2018 by the companies MD Consulting and JPL Pharma Consulting.

- The Board of Directors decided on 30 April 2018 to issue and allot 14,000 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 12.65 euros, including a share premium of 12.64 euros.
  As of 31 December 2018, the 14,000 BSAs were allotted and subscribed.

The General Meeting of 29 June 2018 decided to delegate its authority to the Board of Directors for the purpose of issuing ordinary shares or securities giving access to the company's capital. Thus:

- The Board of Directors decided on 26 September 2018 to issue and allot 28,000 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 12.65 euros, including a share premium of 12.64 euros.
  As of 31 December 2018, the 28,000 BSAs were allotted and subscribed.
- The Board of Directors decided on 06 December 2018 to issue and allocate 8,400 autonomous stock subscription warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new common share with a nominal value of 0.01 euros for an exercise price per BSA of 12 euros, including a share premium of 11.99 euros. Such BSAs were issued in December 2018 to Ysopa, a company that was being formed, as part of managing the Company's post-marketing activities.
  As of 31 December 2019, the 8,400 BSAs were allotted but were not subscribed and are thus null and void.
- The Board of Directors decided on 29 April 2019 to issue and allot 1,000,000 independent share warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new ordinary share with a nominal value of 0.01 euros for an exercise price per BSA of 12 euros, including a share premium of 11.99 euros. These share warrants were issued in April 2019 in favour of the AMY Company. As of 31 December 2019, all these BSAs were allotted and subscribed.
  These BSAs are exercisable under the following conditions:
  - the exercise of 500,000 BSAs is conditional upon registration by the EMA, conditional or not, of masitinib in the treatment of amyotrophic lateral sclerosis on the basis of the only pivotal study AB10015 no later than 29 April 2022;
  - the exercise of 500,000 BSAs is conditional upon registration by the FDA, conditional or not, of masitinib in the treatment of amyotrophic lateral sclerosis on the basis of the only pivotal study AB10015 no later than 29 April 2022;
- The Board of Directors decided on 29 April 2019 to issue and allocate 200,000 autonomous stock subscription warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new common share with a nominal value of 0.01 euros for an exercise price per BSA of 12 euros, including a share premium of 11.99 euros. As of 31 December 2019, all these BSAs were allotted and subscribed. These BSAs were issued for the benefit of the company KPLM as part of the development of cancer vaccine research.
  These BSAs are exercisable under the following conditions:
  - the exercise of 50,000 BSAs is conditional upon registration by the EMA, conditional or not, of masitinib in the treatment of amyotrophic lateral sclerosis on the basis of the only pivotal study AB10015 no later than 29 April 2022;
  - the exercise of 50,000 BSAs is conditional upon registration by the FDA, conditional or not, of masitinib in the treatment of amyotrophic lateral sclerosis on the basis of the only pivotal study AB10015 no later than 29 April 2022;
  - the exercise of 10,000 BSAs is conditional upon AB Science obtaining a patent for its immunotherapy technology based on a viral vector no later than 29 April 2028;
  - the exercise of 90,000 BSAs is conditional upon the valuation of a patent by AB Science for its immunotherapy technology based on a viral vector no later than 29 April 2028, according the following terms; 10,000 BSA2019-B will become exercisable for each payment of one million euros received by AB Science for the use of its immunotherapy technology based on a viral vector;

- The Board of Directors decided on 29 April 2019 to issue and allocate 60,000 autonomous stock subscription warrants at an issue price of 0.01 euros, each conferring the right to subscribe to a new common share with a nominal value of 0.01 euros for an exercise price per BSA of 12 euros, including a share premium of 11.99 euros.
  As of 31 December 2019, the 60,000 BSAs were allocated and subscribed.
  These BSAs are exercisable under the following conditions:

- the exercise of 50% of the BSAs held by each holder is conditional upon registration by the EMA, conditional or not, of masitinib in the treatment of amyotrophic lateral sclerosis on the basis of the only pivotal study AB10015 no later than 29 April 2022;
- the exercise of 50% of the BSAs held by each holder is conditional upon registration by the FDA, conditional or not, of masitinib in the treatment of amyotrophic lateral sclerosis on the basis of the only pivotal study AB10015 no later than 29 April 2022;

- on 13 August 2019, the Board of Directors decided to issue and allot 2,463,054 independent share warrants. These share warrants confer the right to subscribe to one share upon exercise of 2 share warrants for an exercise price of 5.5 euros per share warrant.

Date of issue (General Meeting)	Date of allocation of securities	Name of beneficiarie	Number of shares to which each warrant gives the right	Exercise price of a warrant	Allocated warrants	Expired warrants	Exercise d warrants	Subscribable shares on closing date
26/12/2008	26/12/2008	Kinet, JP	1000	7,680.00	85			85,000
31/12/2009	03/02/2010	Arys, E.	1000	12,280.00	9	-9		0
		Moussy, A.	1	15.61	830,000	-830,000		0
08/09/2010	05/10/2010	Cottert, Ch	1	12.65	2,500	-2,500		0
30/03/2012	02/05/2012	Pépin G.	1	15.80	17,585			17,585
	30/08/2012	Kinet, JP	1	12.50	76,112			76,112
	24/05/2013	Pépin G.	1	17.98	15,285			15,285
27/06/2014	29/08/2014	Costantini D.	1	10.03	14,000	-11,666		2,334
	29/08/2014	SAS Sixto	1	10.03	14,000	-6,999		7,001
	29/08/2014	O'Neill M.	1	10.03	14,000			14,000
	29/08/2014	Kinet, JP	1	10.03	14,000			14,000
	29/08/2014	Paillaud, G	1	10.03	14,000	-14,000		0
	29/08/2014	Moussy P.	1	10.03	14,000			14,000
	01/11/2014	Benjahad, A.	1	8.92	5,882			5,882
	01/11/2014	Letard, S.	1	8.92	5,882			5,882
	01/11/2014	Moussy, A.	1	8.92	1,617,614			1,617,614
	01/11/2014	Guy, L.	1	8.92	5,882			5,882
	01/11/2014	Turci, S.	1	8.92	5,882			5,882
	01/11/2014	Giorgiutti, P.	1	8.92	5,882			5,882
	31/08/2015	Reverdin, B	1	14.41	14,000			14,000
	31/08/2015	Placet, C.	1	14.41	14,000	-14,000		0
28/06/2016	30/08/2016	Blondel, C	1	13.30	14,000	-11,666		2,334
	19/12/2016	Moussy, A.	1	15.61	332,000			332,000
09/12/2016	09/12/2016	JP SPC 5 Valor Biotech IV: BSA fixed conversion parity BSA variable conversion parity	1 N/A	10	37,387 5	 -1		37,387 Not determined
	09/12/2016	JP SPC 3 Valor Biotech II: BSA fixed conversion parity BSA variable conversion parity	1 N/A	10	8,979 1			8,979 Not determined
	09/12/2016	JP SPC 3 Obo FGP Private Equity: BSA fixed conversion parity BSA variable conversion parity	1 N/A	10	7,280 1			7,280 Not determined
	09/12/2016	JP SPC 3 Valor Biotech III BSA fixed conversion parity	1	10	6,354			6,354

		BSA variable conversion parity	N/A		5	-1		Not determined
28/06/2017	31/08/2017	Deltec Bank and Trust Limited	1	0.01	39,314		39,314	0
	18/12/2017	Quercegen Pharma	1	11	1,000,000			1,000,000
	29/01/2018	JPL Pharma	1	12	100,000		-80,000	20,000
	29/01/2018	MD Consulting	1	12	100,000		-80,000	20,000
	30/04/2018	Riez, N.	1	12.65	14,000			14,000
29/06/2018	26/09/2018	Mourey, E	1	12.65	14,000			14,000
	26/09/2018	Bihr, B.	1	12.65	14,000			14,000
	06/12/2018	Ysopa	1	12	8,400	-8,400		0
	29/04/2019	AMY SAS	1	12	1,000,000			1,000,000
	29/04/2019	KPLM	1	12	200,000			200,000
28/06/2019	29/04/2019	Mourey, E	1	12	10,000			10,000
	29/04/2019	Bihr, B.	1	12	10,000			10,000
	29/04/2019	Reverdin, B	1	12	10,000			10,000
	29/04/2019	Riez, N.	1	12	10,000			10,000
	29/04/2019	Moussy, P	1	12	10,000			10,000
	29/04/2019	O'Neill, M	1	12	10,000			10,000
	17/08/2019	Deltec Bank and Trust LTD	0.5	5.5	679,803			679,803
	17/08/2019	FGP Protective Opp Master	0.5	5.5	724,138			724,138
	17/08/2019	Aurore Invest fund	0.5	5.5	98,522			98,522
	17/08/2019	KBL European Private Bankers	0.5	5.5	73,892			73,892
	17/08/2019	Armistice Capital Master Fund Ltd	0.5	5.5	886,699			886,699
Total								7,105,729

8.13 Entrepreneur start-up share warrant plan ("BSPCE")

The following table gives the key features of the valid BSPCE plans at year-end:

	POST 7/11/2002 OR VESTING POST 1/01/2007 PLANS								
	BCE2007-A	**BCE2007-B**	**BCE2008-A**	**BCE2008-B**	**BCE2008-C**	**BCE2008-D**	**BCE2010-A**	**BCE2012**	**BCE2013**
Board of Directors grant 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 (nominal value €0.01) ratio	1000	1000	1000	1000	1000	1000	1	1	1
Allotment criteria:									
Performance criteria	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*
Plan maturity date	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 *(€)*	7680.00	7680.00	7680.00	7680.00	7680.00	12280.00	12.28	12.50	18.74

Entrepreneur start-up share warrant plans ("BCE")

BCE2007A to BCE2010A plan features:

Tranche	BCE2007A	BCE2007B	BCE3A	BCE3B	BCE2008A	BCE2008B	BCE2008C	BCE2008-D	BCE2010-A
1	From the first year of allotment subject to fulfilling the objectives								
2	From the second year of allotment subject to fulfilling the objectives								
3	From the third year of allotment subject to fulfilling the objectives								
4	From the fourth year of allotment subject to fulfilling the objectives								
5	From the fifth year of allotment subject to fulfilling the objectives								
	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

BCE2012 and BCE2013 plan features:

- Holders may exercise their BCEs subject to meeting the following criteria:
  For each BCE holder, exercising 50% of their BCEs is conditional on the achievement of operating goals, and exercising the remaining 50% is conditional on the achievement of revenue goals, as follows:
  i. Exercising 5% of their BCEs is conditional on launching a final clinical trial evidenced by the first patient's inclusion; the number of BCEs that become exercisable from launching a final clinical trial may not exceed 12.5% of all BCEs (i.e. 2 trials each entitling holders to exercise 5% of BCEs and a third final trial to exercise the remaining 2.5%).
  ii. Exercising 10% of BCEs is conditional on achieving conditional registration or a temporary licence to use a cohort, subject to:
    - If the conditional registration or temporary licence to use a cohort follows completion of a final trial, then this is deducted from the number of BCEs that become exercisable in respect of launching the final trial (i.e. the two goals cannot be added together);
    - The number of BCEs that become exercisable in respect of conditional registrations or temporary licences to use a cohort may not exceed 25% of BCEs (i.e. 2 conditional registrations or temporary cohort licences, each one entitling holders to exercise 10% of their BCEs, and a third conditional registration or temporary cohort licence entitling holders to exercise 5% thereof).
  iii. Exercising 20% of BCEs is conditional on achieving conditional registration or a temporary licence to use a cohort, subject to:
    - If the marketing license follows a final trial and/or a conditional registration/obtaining a temporary cohort licence, then this is deducted from the number of BCEs that become exercisable in respect of launching a final trial and/or conditional registration/obtaining a temporary cohort licence (i.e. the three goals cannot be added together);
    - The number of BCEs that become exercisable in respect of marketing licences may not exceed 50% of BCEs (i.e. 2 registrations, each one entitling holders to exercise 20% of their BCEs, and a third registration entitling holders to exercise 10% thereof).
  iv. Exercising 12.5% of BCEs is conditional on the Company's first achievement of Masitinib net annual revenues of €100 million.
  v. Exercising 12.5% of BCEs is conditional on the Company's first achievement of Masitinib net annual revenues of €250 million.
  vi. Exercising 12.5% of BCEs is conditional on the Company's first achievement of Masitinib net annual revenues of €500 million.
  vii. Exercising 12.5% of BCEs is conditional on the Company's first achievement of Masitinib net annual revenues of €1 billion.

The number of outstanding options in respect of all plans changed as follows:

(number of options)	2019	31.12.2018
Outstanding options b/fwd	3,192,780	3,192,976
Allotted options	0	0
Exercised options	0	-196
Cancelled options	0	0
Expired options	0	0
Outstanding options c/fwd	3,192,780	3,192,780

At the balance sheet date, the total breaks down as follows:

(number of options)	2019	31.12.2018
Post 7/11/2002 or vesting post 1/01/2007 plans		
BCE3A	-	-
BCE3B	-	-
BCE2007A	1,077	1,077
BCE2007B	297	297
BCE2008A	321	321
BCE2008B	220	220
BCE2008C	185	185
BCE2008D	10	10
BCE2010A	72,588	72,588
BCE2012	3,077,528	3,077,528
BCE2013	40,554	40,554
TOTAL	3,192,780	3,192,780

8.14 Free preference share plan

Plan features:

	AGAP B1 and B2	AGAP B3
Board of Directors grant date	16/12/2015	28/12/2017
Number of approved options	33,999	7,550
Number of options granted by the board of directors on 19 December 2016	33,751	
Number of options granted by the board of directors on 28 December 2017	180	
Number of options granted by the board of directors on 23 January		7,527
Options / shares (nominal value €0.01) ratio	1	1
Allotment criteria: *Presence and performance criteria*	*Yes*	*Yes*
Plan maturity date	31/12/2024	31/12/2024
Exercise price *(€)*	0	0

Conditions for converting free shares are detailed under paragraph 8.6 hereto.

8.15 Shares with warrants attached (“ABSA”)

2,483,054 ABSAs were issued on 26 August 2019 at €4.06 per ABSA. All ABSAs comprise one ordinary share and one share warrant (“BSA”). BSAs entitle holders to purchase 1,241,527 additional new shares at a €5.50 exercise price.
These BSAs may be exercised until 17 August 2024. They are not listed on Euronext Paris. At 31 December 2019, no BSAs had been exercised.

STATUTORY AUDITORS' REPORTS AND CERTIFICATIONS OF THE MANAGERS

AB Science S.A.

Siège social : 3 avenue, Georges V - 75008 Paris

Rapport des commissaires aux comptes sur les comptes consolidés

Exercice clos le 31 décembre 2019

A l'assemblée générale de la société AB Science S.A.,

Opinion

En exécution de la mission que vous nous avez confiée, nous avons effectué l'audit des comptes consolidés de la société AB Science S.A. relatifs à l'exercice clos le 31 décembre 2019, tels qu'ils sont joints au présent rapport. Ces comptes ont été arrêtés par le conseil d'administration le 30 avril 2020 sur la base des éléments disponibles à cette date dans un contexte évolutif de crise sanitaire liée au Covid-19.

Nous certifions que les comptes consolidés sont, au regard du référentiel IFRS tel qu'adopté dans l'Union européenne, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine, à la fin de l'exercice, de l'ensemble constitué par les personnes et entités comprises dans la consolidation.

L'opinion formulée ci-dessus est cohérente avec le contenu de notre rapport au comité d'audit.

Fondement de l'opinion

Référentiel d'audit

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Les responsabilités qui nous incombent en vertu de ces normes sont indiquées dans la partie « Responsabilités des commissaires aux comptes relatives à l'audit des comptes consolidés » du présent rapport.

Indépendance

Nous avons réalisé notre mission d'audit dans le respect des règles d'indépendance qui nous sont applicables, sur la période du 1er janvier 2019 à la date d'émission de notre rapport, et notamment nous n'avons pas fourni de services interdits par l'article 5, paragraphe 1, du règlement (UE) n° 537/2014 ou par le code de déontologie de la profession de commissaire aux comptes.

Observation

Sans remettre en cause l'opinion exprimée ci-dessus, nous attirons votre attention sur les notes 2.2 « Déclaration de conformité et principes comptables », 8 « Droit d'utilisation » et 18 « Obligations locatives » de l'annexe des comptes consolidés qui expose l'incidence de la première application de la norme IFRS 16 relative aux contrats de location.

Justification des appréciations - Points clés de l'audit

En application des dispositions des articles L.823-9 et R.823-7 du code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les points clés de l'audit relatifs aux risques d'anomalies

significatives qui, selon notre jugement professionnel, ont été les plus importants pour l'audit des comptes consolidés de l'exercice, ainsi que les réponses que nous avons apportées face à ces risques.

Les appréciations ainsi portées s'inscrivent dans le contexte de l'audit des comptes consolidés pris dans leur ensemble, arrêtés dans les conditions rappelées précédemment, et de la formation de notre opinion exprimée ci-avant. Nous n'exprimons pas d'opinion sur des éléments de ces comptes consolidés pris isolément.

Comptabilisation des charges liées aux études cliniques

Point clé de l'audit :

Les études cliniques engagées par la société dans le cadre de son activité sont réalisées sur une multitude de sites en France et à l'international et font appel à des sous-traitants.

Comme indiqué dans la note 3.15. « Classement des charges courantes » de l'annexe aux comptes consolidés, les coûts relatifs aux études en cours sont comptabilisés selon l'état d'avancement des travaux à la date de clôture de l'exercice.

Nous avons considéré la comptabilisation des charges liées aux études cliniques sur la bonne période comptable comme un point clé de l'audit en raison de l'organisation du suivi financier de ces études.

Réponse apportée lors de notre audit

Dans le cadre de notre audit, nos travaux ont notamment consisté à prendre connaissance de la procédure de lancement des études cliniques, des procédures d'autorisations des engagements de dépenses et du processus de suivi des coûts cliniques liés à chaque étude.

Nous avons également :

- examiné les procédures de lancement des études cliniques, d'autorisation des engagements de dépenses et de suivi des coûts liés à chaque étude.
- analysé les engagements en-cours à travers la revue des principales études cliniques et réalisé les travaux suivants:
    - contrôle du calcul des charges à payer sur chaque étude ;
    - analyse de l'évolution des engagements et des factures non parvenues relatifs aux études arrêtées ;
    - analyse de l'évolution des coûts par patient sur chaque étude testée.
- apprécié le rattachement des dépenses engagées en fin d'exercice à la bonne période comptable en examinant les factures reçues au cours des premiers mois de 2020.
- obtenu les accords de réduction des coûts conclus avec certains prestataires.
- obtenu les éléments justifiant les reprises de factures non parvenues sur les études en cours.

Vérifications spécifiques

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, aux vérifications spécifiques prévues par les textes légaux et réglementaires des informations relatives au groupe, données dans le rapport de gestion du conseil d'administration arrêté le 30 avril 2020.

Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes consolidés. S'agissant des événements survenus et des éléments connus postérieurement à la date d'arrêté du rapport de gestion relatifs aux effets de la crise liée au Covid-19, la direction nous a indiqué qu'ils feront l'objet d'une communication à l'assemblée générale appelée à statuer sur les comptes.

Informations résultant d'autres obligations légales et réglementaires

Désignation des commissaires aux comptes

Nous avons été nommés commissaires aux comptes de la société AB Science par l'assemblée générale du 31 décembre 2009 pour le cabinet KPMG et du 28 juin 2017 pour le cabinet Audit et Conseil Union.

Au 31 décembre 2019, le cabinet KPMG était dans la 11ème année de sa mission sans interruption et le cabinet Audit et Conseil Union dans la 3ème année, dont respectivement dix et 3 années depuis que les titres de la société ont été admis aux négociations sur un marché réglementé.

Responsabilités de la direction et des personnes constituant le gouvernement d'entreprise relatives aux comptes consolidés

Il appartient à la direction d'établir des comptes consolidés présentant une image fidèle conformément au référentiel IFRS tel qu'adopté dans l'Union européenne ainsi que de mettre en place le contrôle interne qu'elle estime nécessaire à l'établissement de comptes consolidés ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Lors de l'établissement des comptes consolidés, il incombe à la direction d'évaluer la capacité de la société à poursuivre son exploitation, de présenter dans ces comptes, le cas échéant, les informations nécessaires relatives à la continuité d'exploitation et d'appliquer la convention comptable de continuité d'exploitation, sauf s'il est prévu de liquider la société ou de cesser son activité.

Il incombe au comité d'audit de suivre le processus d'élaboration de l'information financière et de suivre l'efficacité des systèmes de contrôle interne et de gestion des risques, ainsi que le cas échéant de l'audit interne, en ce qui concerne les procédures relatives à l'élaboration et au traitement de l'information comptable et financière.

Les comptes consolidés ont été arrêtés par le conseil d'administration.

Responsabilités des commissaires aux comptes relatives à l'audit des comptes consolidés

Objectif et démarche d'audit

Il nous appartient d'établir un rapport sur les comptes consolidés. Notre objectif est d'obtenir l'assurance raisonnable que les comptes consolidés pris dans leur ensemble ne comportent pas d'anomalies significatives. L'assurance raisonnable correspond à un niveau élevé d'assurance, sans toutefois garantir qu'un audit réalisé conformément aux normes d'exercice professionnel permet de systématiquement détecter toute anomalie significative. Les anomalies peuvent provenir de fraudes ou résulter d'erreurs et sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce qu'elles puissent, prises individuellement ou en cumulé, influencer les décisions économiques que les utilisateurs des comptes prennent en se fondant sur ceux-ci.

Comme précisé par l'article L.823-10-1 du code de commerce, notre mission de certification des comptes ne consiste pas à garantir la viabilité ou la qualité de la gestion de votre société.

Dans le cadre d'un audit réalisé conformément aux normes d'exercice professionnel applicables en France, le commissaire aux comptes exerce son jugement professionnel tout au long de cet audit. En outre :

- il identifie et évalue les risques que les comptes consolidés comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, définit et met en œuvre des procédures d'audit face à ces risques, et recueille des éléments qu'il estime suffisants et appropriés pour fonder son opinion. Le risque de non-détection d'une anomalie significative provenant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne ;

- il prend connaissance du contrôle interne pertinent pour l'audit afin de définir des procédures d'audit appropriées en la circonstance, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne ;

- il apprécie le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, ainsi que les informations les concernant fournies dans les comptes consolidés ;

- il apprécie le caractère approprié de l'application par la direction de la convention comptable de continuité d'exploitation et, selon les éléments collectés, l'existence ou non d'une incertitude significative liée à des événements ou à des circonstances susceptibles de mettre en cause la capacité de la société à poursuivre son exploitation. Cette appréciation s'appuie sur les éléments collectés jusqu'à la date de son rapport, étant

toutefois rappelé que des circonstances ou événements ultérieurs pourraient mettre en cause la continuité d'exploitation. S'il conclut à l'existence d'une incertitude significative, il attire l'attention des lecteurs de son rapport sur les informations fournies dans les comptes consolidés au sujet de cette incertitude ou, si ces informations ne sont pas fournies ou ne sont pas pertinentes, il formule une certification avec réserve ou un refus de certifier ;

- il apprécie la présentation d'ensemble des comptes consolidés et évalue si les comptes consolidés reflètent les opérations et événements sous-jacents de manière à en donner une image fidèle ;

- concernant l'information financière des personnes ou entités comprises dans le périmètre de consolidation, il collecte des éléments qu'il estime suffisants et appropriés pour exprimer une opinion sur les comptes consolidés. Il est responsable de la direction, de la supervision et de la réalisation de l'audit des comptes consolidés ainsi que de l'opinion exprimée sur ces comptes.

Rapport au comité d'audit

Nous remettons un rapport au comité d'audit qui présente notamment l'étendue des travaux d'audit et le programme de travail mis en œuvre, ainsi que les conclusions découlant de nos travaux. Nous portons également à sa connaissance, le cas échéant, les faiblesses significatives du contrôle interne que nous avons identifiées pour ce qui concerne les procédures relatives à l'élaboration et au traitement de l'information comptable et financière.

Parmi les éléments communiqués dans le rapport au comité d'audit, figurent les risques d'anomalies significatives que nous jugeons avoir été les plus importants pour l'audit des comptes consolidés de l'exercice et qui constituent de ce fait les points clés de l'audit qu'il nous appartient de décrire dans le présent rapport.

Nous fournissons également au comité la déclaration prévue par l'article 6 du règlement (UE) n° 537-2014 confirmant notre indépendance, au sens des règles applicables en France telles qu'elles sont fixées notamment par les articles L.822-10 à L.822-14 du code de commerce et dans le code de déontologie de la profession de commissaire aux comptes. Le cas échéant, nous nous entretenons avec le comité d'audit des risques pesant sur notre indépendance et des mesures de sauvegarde appliquées.

Les commissaires aux comptes

Paris La Défense, le 30 avril 2020 KPMG Audit	Paris, le 30 avril 2020 Audit et Conseil Union

Département de KPMG S.A.

Laurent Genin *Associé*	Jean-Marc Fleury *Associé*

Rapport des commissaires aux comptes sur les comptes annuels

Exercice clos le 31 décembre 2019

A l'assemblée générale de la société AB Science S.A.,

Opinion

En exécution de la mission que vous nous avez confiée, nous avons effectué l'audit des comptes annuels de la société AB Science S.A. relatifs à l'exercice clos le 31 décembre 2019 tels qu'ils sont joints au présent rapport. Ces comptes ont été arrêtés par le conseil d'administration le 30 avril 2020 sur la base des éléments disponibles à cette date dans un contexte évolutif de crise sanitaire liée au Covid-19.

Nous certifions que les comptes annuels sont, au regard des règles et principes comptables français, réguliers et sincères et donnent une image fidèle du résultat des opérations de l'exercice écoulé ainsi que de la situation financière et du patrimoine de la société à la fin de cet exercice.

L'opinion formulée ci-dessus est cohérente avec le contenu de notre rapport au comité d'audit.

Fondement de l'opinion

Référentiel d'audit

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Les responsabilités qui nous incombent en vertu de ces normes sont indiquées dans la partie « Responsabilités des commissaires aux comptes relatives à l'audit des comptes annuels » du présent rapport.

Indépendance

Nous avons réalisé notre mission d'audit dans le respect des règles d'indépendance qui nous sont applicables, sur la période du 1er janvier 2019 à la date d'émission de notre rapport, et notamment nous n'avons pas fourni de services interdits par l'article 5, paragraphe 1, du règlement (UE) n° 537/2014 ou par le code de déontologie de la profession de commissaire aux comptes.

Justification des appréciations - Points clés de l'audit

En application des dispositions des articles L. 823-9 et R.823-7 du code de commerce relatives à la justification de nos appréciations, nous portons à votre connaissance les points clés de l'audit relatifs aux risques d'anomalies significatives qui, selon notre jugement professionnel, ont été les plus importants pour l'audit des comptes annuels de l'exercice, ainsi que les réponses que nous avons apportées face à ces risques.

Les appréciations ainsi portées s'inscrivent dans le contexte de l'audit des comptes annuels pris dans leur ensemble, arrêtés dans les conditions rappelées précédemment, et de la formation de notre opinion exprimée ci-avant. Nous n'exprimons pas d'opinion sur des éléments de ces comptes annuels pris isolément.

Comptabilisation des charges liées aux études cliniques

Point clé de l'audit :

Les études cliniques engagées par la société dans le cadre de son activité sont réalisées sur une multitude de sites en France et à l'international et font appel à des sous-traitants.

Comme indiqué dans la note 5.4. « Créances et dettes » de l'annexe aux comptes annuels, les coûts relatifs aux études en cours sont comptabilisés selon l'état d'avancement des travaux à la date de clôture de l'exercice.

Nous avons considéré la comptabilisation des charges liées aux études cliniques sur la bonne période comptable comme un point clé de l'audit en raison de l'organisation du suivi financier de ces études.

Réponse apportée lors de notre audit

Dans le cadre de notre audit, nos travaux ont notamment consisté à prendre connaissance de la procédure de lancement des études cliniques, des procédures d'autorisations des engagements de dépenses et du processus de suivi des coûts cliniques liés à chaque étude.

Nous avons également :

- examiné les procédures de lancement des études cliniques, d'autorisation des engagements de dépenses et de suivi des coûts liés à chaque étude.
- analysé les engagements en-cours à travers la revue des principales études cliniques et réalisé les travaux suivants:
    - contrôle du calcul des charges à payer sur chaque étude ;
    - analyse de l'évolution des engagements et des factures non parvenues relatifs aux études arrêtées ;
    - analyse de l'évolution des coûts par patient sur chaque étude testée.
- apprécié le rattachement des dépenses engagées en fin d'exercice à la bonne période comptable en examinant les factures reçues au cours des premiers mois de 2020.
- obtenu les accords de réduction des coûts conclus avec certains prestataires.
- obtenu les éléments justifiant les reprises de factures non parvenues sur les études en cours.

Vérifications spécifiques

Nous avons également procédé, conformément aux normes d'exercice professionnel applicables en France, aux vérifications spécifiques prévues par les textes légaux et réglementaires.

Informations données dans le rapport de gestion et dans les autres documents sur la situation financière et les comptes annuels adressés aux actionnaires

Nous n'avons pas d'observation à formuler sur la sincérité et la concordance avec les comptes annuels des informations données dans le rapport de gestion du conseil d'administration arrêté le 30 avril 2020 et dans les autres documents sur la situation financière et les comptes annuels adressés aux actionnaires. S'agissant des événements survenus et des éléments connus postérieurement à la date d'arrêté des comptes relatifs aux effets de la crise liée au Covid-19, la direction nous a indiqué qu'ils feront l'objet d'une communication aux actionnaires appelés à statuer sur les comptes.

Nous attestons de la sincérité et de la concordance avec les comptes annuels des informations relatives aux délais de paiement mentionnées à l'article D. 441-4 du code de commerce.

Rapport sur le gouvernement d'entreprise

Nous attestons de l'existence, dans le rapport du conseil d'administration sur le gouvernement d'entreprise, des informations requises par les articles L.225-37-3 et L.225-37-4 du code de commerce.

Concernant les informations fournies en application des dispositions de l'article L.225-37-3 du code de commerce sur les rémunérations et avantages versés ou attribués aux mandataires sociaux ainsi que sur les engagements consentis en leur faveur, nous avons vérifié leur concordance avec les comptes ou avec les données ayant servi à l'établissement de ces comptes et, le cas échéant, avec les éléments recueillis par votre société auprès des entreprises contrôlées par elle qui sont comprises dans le périmètre de consolidation. Sur la base de ces travaux, nous attestons l'exactitude et la sincérité de ces informations.

Informations résultant d'autres obligations légales et réglementaires

Désignation des commissaires aux comptes

Nous avons été nommés commissaires aux comptes de la société AB Science par votre assemblée générale du 31 décembre 2009 pour le cabinet KPMG et du 28 juin 2017 pour le cabinet Audit et Conseil Union.

Au 31 décembre 2019, le cabinet KPMG était dans la 11ème année de sa mission sans interruption et le cabinet Audit et Conseil Union dans la 3ème année, dont respectivement dix et trois années depuis que les titres de la société ont été admis aux négociations sur un marché réglementé.

Responsabilités de la direction et des personnes constituant le gouvernement d'entreprise relatives aux comptes annuels

Il appartient à la direction d'établir des comptes annuels présentant une image fidèle conformément aux règles et principes comptables français ainsi que de mettre en place le contrôle interne qu'elle estime nécessaire à l'établissement de comptes annuels ne comportant pas d'anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs.

Lors de l'établissement des comptes annuels, il incombe à la direction d'évaluer la capacité de la société à poursuivre son exploitation, de présenter dans ces comptes, le cas échéant, les informations nécessaires relatives à la continuité d'exploitation et d'appliquer la convention comptable de continuité d'exploitation, sauf s'il est prévu de liquider la société ou de cesser son activité.

Il incombe au comité d'audit de suivre le processus d'élaboration de l'information financière et de suivre l'efficacité des systèmes de contrôle interne et de gestion des risques, ainsi que le cas échéant de l'audit interne, en ce qui concerne les procédures relatives à l'élaboration et au traitement de l'information comptable et financière.

Les comptes annuels ont été arrêtés par le conseil d'administration.

Responsabilités des commissaires aux comptes relatives à l'audit des comptes annuels

Objectif et démarche d'audit

Il nous appartient d'établir un rapport sur les comptes annuels. Notre objectif est d'obtenir l'assurance raisonnable que les comptes annuels pris dans leur ensemble ne comportent pas d'anomalies significatives. L'assurance raisonnable correspond à un niveau élevé d'assurance, sans toutefois garantir qu'un audit réalisé conformément aux normes d'exercice professionnel permet de systématiquement détecter toute anomalie significative. Les anomalies peuvent provenir de fraudes ou résulter d'erreurs et sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce qu'elles puissent, prises individuellement ou en cumulé, influencer les décisions économiques que les utilisateurs des comptes prennent en se fondant sur ceux-ci.

Comme précisé par l'article L.823-10-1 du code de commerce, notre mission de certification des comptes ne consiste pas à garantir la viabilité ou la qualité de la gestion de votre société.

Dans le cadre d'un audit réalisé conformément aux normes d'exercice professionnel applicables en France, le commissaire aux comptes exerce son jugement professionnel tout au long de cet audit. En outre :

- il identifie et évalue les risques que les comptes annuels comportent des anomalies significatives, que celles-ci proviennent de fraudes ou résultent d'erreurs, définit et met en œuvre des procédures d'audit face à ces risques, et recueille des éléments qu'il estime suffisants et appropriés pour fonder son opinion. Le risque de non-détection d'une anomalie significative provenant d'une fraude est plus élevé que celui d'une anomalie significative résultant d'une erreur, car la fraude peut impliquer la collusion, la falsification, les omissions volontaires, les fausses déclarations ou le contournement du contrôle interne ;

- il prend connaissance du contrôle interne pertinent pour l'audit afin de définir des procédures d'audit appropriées en la circonstance, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne ;

- il apprécie le caractère approprié des méthodes comptables retenues et le caractère raisonnable des estimations comptables faites par la direction, ainsi que les informations les concernant fournies dans les comptes annuels ;

- il apprécie le caractère approprié de l'application par la direction de la convention comptable de continuité d'exploitation et, selon les éléments collectés, l'existence ou non d'une incertitude significative liée à des événements ou à des circonstances susceptibles de mettre en cause la capacité de la société à poursuivre son exploitation. Cette appréciation s'appuie sur les éléments collectés jusqu'à la date de son rapport, étant toutefois rappelé que des circonstances ou événements ultérieurs pourraient mettre en cause la continuité d'exploitation. S'il conclut à l'existence d'une incertitude significative, il attire l'attention des lecteurs de son rapport sur les informations fournies dans les comptes annuels au sujet de cette incertitude ou, si ces informations ne sont pas fournies ou ne sont pas pertinentes, il formule une certification avec réserve ou un refus de certifier;

- il apprécie la présentation d'ensemble des comptes annuels et évalue si les comptes annuels reflètent les opérations et événements sous-jacents de manière à en donner une image fidèle.

Rapport au comité d'audit

Nous remettons un rapport au comité d'audit qui présente notamment l'étendue des travaux d'audit et le programme de travail mis en œuvre, ainsi que les conclusions découlant de nos travaux. Nous portons également à sa connaissance, le cas échéant, les faiblesses significatives du contrôle interne que nous avons identifiées pour ce qui concerne les procédures relatives à l'élaboration et au traitement de l'information comptable et financière.

Parmi les éléments communiqués dans le rapport au comité d'audit figurent les risques d'anomalies significatives que nous jugeons avoir été les plus importants pour l'audit des comptes annuels de l'exercice et qui constituent de ce fait les points clés de l'audit, qu'il nous appartient de décrire dans le présent rapport.

Nous fournissons également au comité d'audit la déclaration prévue par l'article 6 du règlement (UE) n° 537-2014 confirmant notre indépendance, au sens des règles applicables en France telles qu'elles sont fixées notamment par les articles L.822-10 à L.822-14 du code de commerce et dans le code de déontologie de la profession de commissaire aux comptes. Le cas échéant, nous nous entretenons avec le comité d'audit des risques pesant sur notre indépendance et des mesures de sauvegarde appliquées.

Les commissaires aux comptes

Paris La Défense, le 30 avril 2020
KPMG Audit
Département de KPMG S.A.

Laurent Genin
Associé

Paris, le 30 avril 2020
Audit et Conseil Union

Jean-Marc Fleury
Associé