AB SCIENCE

HALF-YEARLY FINANCIAL REPORT AS OF 30 June 2024

AB SCIENCE S.A.
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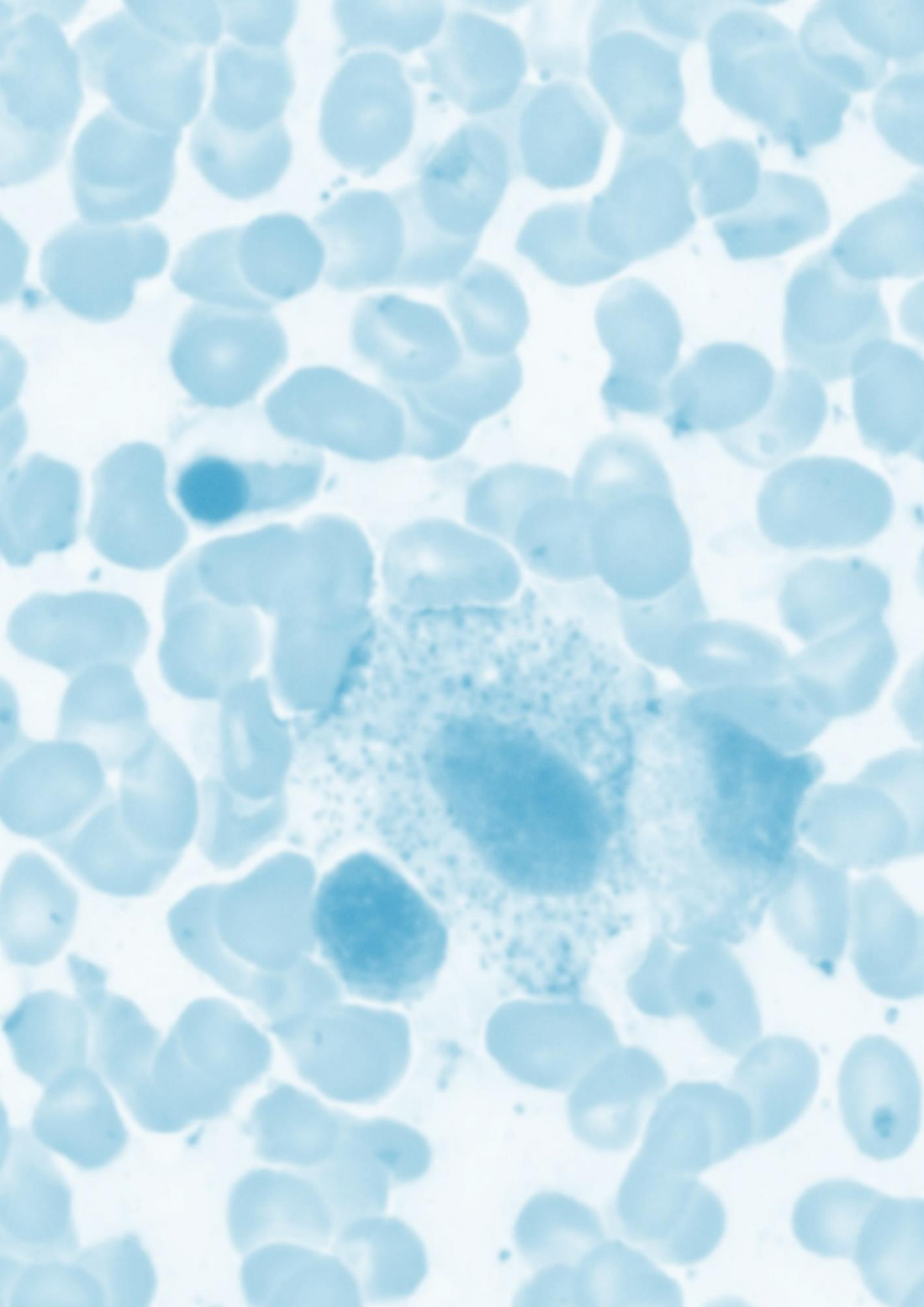

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1 HALF-YEARLY ACTIVITY REPORT

1.1 KEY EVENTS DURING THE PERIOD

1.1.1 Events related to clinical development

- **EMA issues negative opinion on the application for marketing authorisation for masitinib in amyotrophic lateral sclerosis and EMA is currently reviewing the application**

AB Science announced that the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) has adopted, in line with the trend vote, a negative opinion with regard to the conditional marketing authorisation application for masitinib for the treatment of amyotrophic lateral sclerosis (ALS).

AB Science requested a review of the file on the basis of the following elements:

- Above all, the urgency for patients to quickly access a promising treatment.
- The opportunity to have the file re-examined by new rapporteurs and by a "*Scientific Advisory Board*".

AB Science emphasises the difficulty in obtaining conditional marketing authorisation for ALS and cannot guarantee a positive result following this re-examination procedure.

The reasons which nevertheless led AB Science to request a re-examination of the file are as follows:

- Acceptable tolerability of masitinib: First, the CHMP confirmed that the tolerance of masitinib is considered acceptable, which is a key element in the context of a conditional marketing authorisation where confirmatory evidence of efficacy is required.
- Objection regarding deviations from Good Clinical Practice: In accordance with EMA guidelines (EMA/868942/2011), impact analyses of all protocol deviations that could not be corrected were performed and showed no impact, allowing questions regarding compliance with Good Clinical Practice in accordance with EMA guidelines to be resolved.
- Objection concerning the exclusion of fast progressors: The amendment to the protocol to move from phase 2 to phase 3 by excluding rapidly progressing patients from the population from the primary analysis was necessary and well justified, in order to have a more homogeneous population with a better chance of reaching the 48-week treatment duration and to minimise the number of missing data. Furthermore, the amendment was implemented early enough and while the study was being conducted blindly, which helps to address methodological issues.
- Objection to the processing of missing data from the main analysis: Multiple sensitivity analyses of the primary analysis, using non-LOCF (Last Observation Carried Forward) methods for imputation of missing data, are consistently positive, including two analyses previously recommended by the CHMP, demonstrating the robustness of the primary analysis, which helps to resolve the objection regarding the processing of missing data.
- Objection to subgroup data: A significant imbalance was observed in a subgroup of patients with complete functional loss (i.e., ALSFRS-R score of zero) for one or more of the score components (20% in the masitinib group versus 8% in the placebo group), as the ALSFRS-R score was lowered but was not stratified by severity level. The subgroup defined as ALS patients before any loss of function (i.e., excluding the aforementioned biased subgroup) represented 86% of the population and showed extremely convincing results, including a significant 12-month survival advantage. The subgroup analysis is the strict application of the EMA guidelines (EMA/CHMP/539146/2013), applicable to a post hoc analysis and registration procedure based on a single pivotal study, which allows the objection regarding subgroup data to be resolved.
- The EMA is currently reviewing the dossier.

- **Notice of Deficiency-Withdrawal (NOD-W) regarding the submission of masitinib for the treatment of amyotrophic lateral sclerosis (ALS) in Canada and request for reconsideration**

AB Science announced in February 2024 that Health Canada issued a Notice of Deficiency-Withdrawal (NOD-W) regarding the submission of masitinib for the treatment of ALS and indicated its intention to file a request for reconsideration of the file.

In April 2024, AB Science announced that Health Canada had deemed the masitinib reconsideration application admissible. The re-examination process will re-analyse, with new evaluators, the decision based on the data in the initial file.

Health Canada is currently reviewing the dossier.

- **Strengthening the intellectual property of masitinib in mastocytosis**

AB Science announced that the European Patent Office has issued a notice of allowance for a patent covering methods (i.e. a medical use patent) for treating severe systemic mastocytosis with its lead molecule, masitinib, based on the results of study AB06006. This new European patent protects the intellectual property of masitinib in this indication until October 2036.

The same medical use patent strategy has been successfully applied in amyotrophic lateral sclerosis, with a worldwide patent granted until 2037, and is being applied in other indications such as multiple sclerosis, Alzheimer's disease for protection until 2041, and in prostate cancer for protection until 2042.

1.1.2 Other events

- **Subscription by Alpha Blue Ocean of a tranche of one million shares within the framework of the Term Capital Increase Programme (PACT™)**

The PACT™ programme concluded with Alpha Blue Ocean (ABO) was renewed on 28 April 2023 for a period of 24 months. The Board of Directors of AB Science has decided to pursue a drawdown of one million shares under this programme, on the basis of the 17th resolution of the combined General Meeting of Shareholders of 30 June 2023 (reserved cash capital increase with removal of preferential subscription rights). They were subscribed by Alpha Blue Ocean at the end of March 2024 at a price of 2,5701 euros (i.e. the volume-weighted average price of AB Science shares on Euronext Paris during the three trading sessions preceding the drawdown request). AB Science received the entire proceeds from the issue of the shares subscribed by Alpha Blue Ocean, and 80% of these proceeds were placed in an escrow account. Alpha Blue Ocean is now responsible for selling, in an orderly manner, the subscribed AB Science shares. Over the course of the first half of 2024, 377.393 shares were placed. 95% of the sale proceeds (less a structuring fee equal to 3% of the issue price) will be paid monthly to AB Science, directly by Alpha Blue Ocean or by drawing on the escrow account referred to above, after deduction of the 20% deposit of the issue proceeds retained by AB Science.

The IFRS accounting treatment of the PACT™ programme is detailed in note 13 of the appendix to the half-yearly accounts (impact on equity and debts, amount of the escrow account as of 30 June).

- **Start of AB Science share coverage by DNA Finance and In Extenso Finance**

AB Science has announced the start of its share coverage by two financial analysis companies, DNA Finance on the one hand, and In Extenso Finance on the other.

DNA Finance believes that AB Science will be viewed as a particularly interesting investment opportunity in the biotechnology sector.

In Extenso has started off by giving the shares a strong buy rating.

These new research initiations aim to strengthen the exposure of AB Science shares among French and international institutional investors and to broaden its investor base. They are in addition to the share coverage being carried out by Chardan, a US-based investment bank specialising in biotechnology and health technology.

- **Partial payments of the 2020, 2021 and 2022 CIR (French Research Tax Credit) by the tax administration in 2024, for a total amount of 7,913 thousand euros**

- **Confirmation by the Paris Court of Appeal of the clearing of the Chairman and CEO of AB Science, Alain Moussy, and reduction in the amount of the penalty imposed on AB Science**

AB Science and the President of the Autorité des Marchés Financiers (AMF (French Financial Markets Authority)) had filed an appeal with the Paris Court of Appeal against the decision of the AMF Sanctions Commission dated 24 March 2022, which exonerated Alain Moussy, Chairman and CEO, for an alleged insider trading offence and sanctioned AB Science for a breach of certain of its communication obligations (in the context of the assessment of the conditions for a deferred publication of inside information), as indicated in the AB Science press release of 29 March 2022.

The Paris Court of Appeal has confirmed the complete exoneration of Alain Moussy and reduced the amount of the financial penalty imposed on AB Science by 200,000 euros. This amount of 200,000 euros will have to be reimbursed by the Public Treasury, AB Science having paid the entire financial penalty initially imposed by the AMF Sanctions Commission on 24 March 2022. Accrued income has been recorded for this purpose.

- **In March 2024, the Class C preference shares were cancelled**

The balance of 262,704 category C preference shares (the "ADPC") was repurchased for one symbolic euro by AB Science in order to cancel them, in application of the financial restructuring agreement signed on 21 April 2023.

1.2 RECENT EVENTS SINCE THE END OF THE FIRST HALF OF THE 2024 FINANCIAL YEAR

1.2.1 Events related to clinical development

- **Details on the AB8939 microtubule programme and in particular on the capacity of AB8939 to generate a response on the rearrangement of the MECOM gene**

AB Science has provided an update on the AB8939 microtubule programme and in particular on the capacity of AB8939 to generate a response on the rearrangement of the MECOM gene.

AB8939 is a novel microtubule destabiliser currently being evaluated in a Phase 1 clinical trial (Study AB18001, NCT05211570) in patients with relapsed and refractory acute myeloid leukaemia (AML).

The Phase 1 clinical trial of AB8939 has completed its first phase, determining the maximum tolerated dose after 3 consecutive days of treatment with AB8939, and has been authorised to proceed to the next phase, determining the maximum tolerated dose after 14 consecutive days of treatment with AB8939.

The Phase 1 clinical trial continues to determine the maximum tolerated dose and the study is now in the final cycle of the 14-day evaluation. The next step will be to determine the maximum tolerated dose in the combination of AB8939 with Vidaza® (azacitidine).

AB Science previously reported a case of complete bone marrow response in an AML patient who had failed prior azacitidine therapy and had a MECOM gene rearrangement, which consists of chromosomal aberrations of the EVI1 oncogene, leading to one of the worst prognoses in AML and associated with lack of response and resistance to conventional chemotherapy.

New data confirms the existence of a signal of activity against MECOM, with AB8939 generating a complete response in combination with Vidaza, as demonstrated by a synergistic effect in a patient-derived xenograft (PDX) mouse model carrying the MECOM gene rearrangement. PDXs are cell lines from patients that are grafted into immunodeficient mice in order to reproduce the human disease as faithfully as possible.

- AB8939 achieved a 50% response when used as monotherapy in MECOM cell lines ex vivo in a non-clinical setting.
- In the phase 1 trial, 4 patients carried the MECOM gene rearrangement and 50% of them responded to AB8939 when used as monotherapy.
- So far, in phase 1, AB8939 has shown no bone marrow toxicity, thus avoiding severe neutropenia. This strengthens the possibility of using the drug for long-term treatment.

All of this data supports the opportunity to develop AB8939 in a phase 2 clinical trial in MECOM as monotherapy or in combination with Vidaza.

The advantage is that a small study might be enough to meet the FDA's requirements for accelerated registration.

- **Details on the development of masitinib in progressive forms of multiple sclerosis following the ECTRIMS 2024 conference**

AB Science provided an update on the development of masitinib in progressive forms of multiple sclerosis (MS), following the 2024 conference of the European Committee for Treatment and Research in Multiple Sclerosis (ECTRIMS).

The development of masitinib in progressive forms of multiple sclerosis is based on the MAXIMS study (AB20009), a phase 3 randomised, double-blind study of masitinib at a dose of 4.5 mg/kg/day in patients with primary progressive multiple sclerosis (PPMS) or non-active secondary progressive multiple sclerosis (nSPMS).

Recent results of tolebrutinib in non-active secondary progressive multiple sclerosis (nSPMS), presented at ECTRIMS 2024, strengthen the scientific hypothesis that targeting microglia in nSPMS is a valid approach. Tolebrutinib belongs to a class of drugs that target microglia via an enzyme called BTK (Bruton Tyrosine Kinase).

Masitinib also targets microglia but via a different enzyme target called M-CSFR1 (Macrophage Colony Stimulating Factor Receptor-1) and has generated positive results in phase 2B/3 (AB07002), which are consistent with the results of tolebrutinib.

- Confirmed EDSS progression at 3 months was reduced by 37% with masitinib in study AB07002 and by 23% with tolebrutinib in the Hercules study (although the reduction in study AB07002 did not reach the conventional p-value of 5% as the study was not strong enough to detect a statistically significant effect on this endpoint, as it only had 300 patients on masitinib 4.5 mg/kg/day or placebo versus the 1100 patients in the Hercules trial).
- Confirmed EDSS progression at 6 months was reduced by 32% with masitinib and by 31% with tolebrutinib.

More importantly,

- Masitinib significantly improved manual dexterity measured by the 9-hole Peg test in study AB07002 (-4.28; p=0.0388).
- Masitinib has been shown to decrease serum neurofilament light chain (NfL) concentrations in an animal model of MS and, by extension, possibly neuronal damage.
- Masitinib targets not only microglia but also mast cells, which play a crucial role in progressive MS and in the experimental autoimmune encephalomyelitis (EAE) model of MS, as shown in numerous publications.

Masitinib benefits from a large product tolerance database with long-term exposure in various indications. In non-oncology indications, approximately 2,200 patients received at least one dose of masitinib, more than 1,300 patients received masitinib for more than six months, and nearly 1,000 patients received masitinib for more than one year.

The safety profile of BTK inhibitors shows increased liver injury, hypertension, and infections, which appears to be a class effect, leaving room for alternative drugs.

In conclusion, masitinib represents a potential credible alternative to BTK inhibitors in the development of new drugs in both PPMS and nSPMS.

- **Positive results from the phase 2 study of masitinib in Covid-19**

AB Science has announced the results of a phase 2 study evaluating masitinib in COVID-19. This phase 2 study (AB20001) was designed to evaluate the safety and efficacy of masitinib in combination with isoquercetin in hospitalised patients with moderate COVID-19 (score 4 on the WHO 7-point ordinal scale) or severe COVID-19 (score 5). The study initially planned to recruit 200 patients (over the age of 18 years, with no upper age limit). The main objective was to improve the clinical condition of patients after 15 days of treatment, measured per to the WHO 7-point ordinal scale. Following a recommendation from the Data and Safety Monitoring Board (DSMB), it was decided to continue the study only for score 4 patients (i.e., patients hospitalised requiring supplemental oxygen intake < 6 L/min with SpO2 maintained at ≥ 92%).

The study was unable to recruit the planned 200 patients. The decision was therefore taken to stop inclusion after 95 patients had been randomised. The objective was to detect a trend towards a treatment effect in 95 patients that would translate into a significant effect when simulating the same effect in the planned 200 patients. If this objective had been achieved, then the conclusion would be that the evaluation of masitinib as an agent in the treatment of COVID in hospitalised patients with moderate oxygen requirements is worthy of further investigation.

The study showed an odds ratio of 2.4 in favour of the trial arm after 15 days of treatment, higher than the odds ratio of 2.2 initially assumed, with a p-value of 0.038 simulated with 200 patients and a p-value of 0.072 detected with the 95 patients recruited. Sensitivity analyses at days 12, 13 and 14 with the 95 patients recruited showed a p-value of 0.016, 0.019, 0.018 and an odds ratio of 3.2, 3.2 and 3.4, respectively. This is due to the improvement of some patients on placebo by the 15th day but not before. The tolerance was consistent with the known risk profile of masitinib.

1.2.2 Other events

- **Capital increase by private investment for an amount of 5 million euros**

AB Science announced a capital increase of 5.0 million euros through the issue of 5,368,725 new ordinary shares to each of which share subscription warrants are attached. This capital increase was subscribed by qualified European investors.

The Capital Increase consisted of a private placement pursuant to the provisions of Articles L. 225-136 of the *Code de commerce* [French Commercial Code] and L. 411-2, 1° of the *Code monétaire et financier* [French Monetary and Financial Code] and was carried out with the cancellation of the preferential subscription right, under the delegation of authority granted to the Board of Directors by virtue of the nineteenth resolution of the Combined General Meeting of Shareholders of 26 June 2024. It gives rise to the issue of 5,368,725 new ordinary shares ("ABSA") to each of which is attached a share subscription warrant ("BSA").

Two ABSA tranches were issued:

- for a first tranche of 4,294,980 ABSA, two BSA give the right to subscribe to one new share;
- for a second tranche of 1,073,745 ABSA, three BSA give the right to subscribe to one new share.

The Capital Increase was made by means of a cash contribution of 5.0 million euros.

All 5,368,725 ABSAs and all 2,505,405 new shares that would be issued upon exercise of the BSAs, i.e. a total of 7,874,130 shares in the Company, represent 13.3% of the Company's current share capital.

The issue price of the ABSAs was set at 0.93132 euros (0.01 euro nominal value and 0.92132 euros issue premium) and the exercise price of the BSAs at 1,16415 euros, thus representing a fundraising of approximately 5.0 million euros (taking into

account the exercise of the BSAs, the maximum amount of the Capital Increase could be raised to approximately 7.9 million euros). The issue price of the ABSAs reflects a discount of 10% compared to the weighted average of the Company's share prices on the regulated market of Euronext Paris during the last three trading sessions preceding the setting of the issue price.

The BSAs may be exercised from 26 November 2026 to 31 December 2028, and will be immediately detached from the New Shares upon issue and will not be listed.

The proceeds from the Capital Increase will provide AB Science with the additional resources necessary to finance its activities over the next twelve months.

No other post-balance sheet events likely to have an impact on the Group's financial position have occurred since the balance sheet date.

1.3 COMMENTS BY EXECUTIVES ON THE FINANCIAL SITUATION AND CONSOLIDATED FINANCIAL STATEMENTS

1.3.1 Operating results

Condensed statement of comprehensive income (IFRS standards):

(in thousands of euros)	**30.06.2023**	**30.06.2024**
Net turnover	448	560
Operating profit	(8,850)	(3,582)
Net profit (loss)	(10,411)	(4,469)
Overall profit (loss) for the period	(10,360)	(4,384)
Earnings per share (in €)	(0.22)	(0.09)
Diluted earnings per share (in €)	(0.22)	(0.06)

Operating revenue

(in thousands of euros)	**30.06.2023**	**30.06.2024**
Net turnover	448	560
Other income	0	0
Total operating income	**448**	**560**

Operating income exclusively consisting of revenue from the operation of a veterinary medicine drug. Revenue is up compared to 30 June 2023 and amounts to 560 thousand euros as of 30 June 2024 compared to 448 thousand euros as of 30 June 2023. This increase in operating income over the period compared to the previous period is due to the resumption of sales from May 2023, after a disruption in the supply of Masivet between August 2022 and April 2023 following a change in the synthesis process of the active ingredient of Masivet which required a request for variation of the marketing file of Masivet to the European Medicines Agency (EMA). The EMA issued a favourable decision in April 2023, from which date the operation of Masivet could resume.

Operating costs

(in thousands of euros)	**30.06.2023**	**30.06.2024**
Cost of sales	219	93
Marketing costs	218	190
Administrative costs	1,648	1,295
Research and development costs	7,213	2,564
Total operating costs	**9,298**	**4,142**

Operating costs decreased by 55.45% between the first half of 2023 and the first half of 2024.

This is mainly due to changes in research and development costs. These decreased by 65.5%, reaching 2,564 thousand euros for the first half of 2024 compared to 7,213 thousand euros for the first half of 2023. This decrease reflects internal and external costs following the implementation of the partnership research strategy for the continued clinical development of masitinib.

Administrative costs constitute the second largest contributor to operating costs. They decreased by 21.4% between the first half of 2024 and the first half of 2023.

Operating profit/loss

(in thousands of euros)	**30.06.2023**	**30.06.2024**
Operating profit/loss	**(8,850)**	**(3,582)**

The operating deficit decreased by 5,268 thousand euros, a decrease of 59.5%, between the first half of 2023 and the first half of 2024, going from 8,850 thousand euros to 3,582 thousand euros.

Financial income

(in thousands of euros)	**30.06.2023**	**30.06.2024**
Financial income including:		
Income from financial assets and cash investments	*99*	*38*
Currency gains	*158*	*0*
Catch-up effect on conditional advances	*0*	*0*
Other financial income	*784*	*274*
Financial costs including:		
Currency losses	*18*	*21*
Effects of discounting conditional advances	*652*	*546*
Interest on loans and debts	*947*	*579*
Other financial costs	*994*	*55*
Financial income	**(1.569)**	**(887)**

The financial income corresponds to a loss of 887 thousand euros for the first half of 2024, compared to a loss of 1,569 thousand euros for the first half of 2023.

As of 30 June 2024, other financial income, which amounted to 274 thousand euros, mainly corresponds to the following operations:

- to late payment interest collected with the CIR 2020 – 2021 – 2022 (83 thousand euros)
- to the change in the fair value of the BSAs linked to the EIB loan (140 thousand euros)
- to the change in the fair value of the ADPEs (49 thousand euros).

Other financial costs (55 thousand euros) are mainly related

- to the reprocessing of rents in IFRS 16. (9 thousand euros)
- to the cost of issuing the EIB loan: loss of 45 thousand euros

These effects are without impact on cash.

Net profit/loss

(in thousands of euros)	**30.06.2023**	**30.06.2024**
Net profit/loss	**(10,411)**	**(4,469)**

The net loss as of 30 June 2024 amounted to 4,469 thousand euros, compared to a loss of 10,411 thousand euros as of 30 June 2023, a decrease of 57.07% for the reasons mentioned above.

1.3.2 Cash and capital resources

Assets

(in thousands of euros)	**31.12.2023**	**30.06.2024**
Fixed assets	1,651	1,722
Rights of use relating to rental contracts	536	815
Non-current financial assets	84	73
Other non-current assets	3,837	5,975
Inventories	336	393
Customers	236	63
Other current assets	12,752	4,812
Cash and cash equivalents	6,006	9,128
Total assets	**25,499**	**22,982**

Intangible assets mainly consist of the costs of AB Science patents. In fact, the development costs of AB Science's drug candidates are recorded as expenses, as their marketing prospects are difficult to evaluate. AB Science's patents costs amounted to 1,505

thousand euros as of 30 June 2024, compared to 1,403 thousand euros as of 31 December 2023. These changes are linked to variations in the scope of each patent and to the life cycle of patents.

In accordance with IFRS 16, leases with a term of more than 12 months are recognised as assets by recognising a right of use. These amounted to 815 thousand euros as of 30 June 2024, compared to 536 thousand euros as of 31 December 2023.

Inventories amounted to 393 thousand euros as of 30 June 2024, compared to 336 thousand euros as of 31 December 2023. Inventories are valued at each accounting date and fluctuate depending on the manufacturing date of new products stored.

Trade accounts receivables amounted to 63 thousand euros as of 30 June 2024, compared to 236 thousand euros as of 31 December 2023. This change in trade accounts receivables is directly linked to changes in turnover and distributor order dates.

Other current assets amounted to 4.812 thousand euros as of 30 June 2024, compared to 12.752 thousand euros as of 31 December 2023. This decrease is explained by the collection of 2020, 2021, and 2022 CIR (7,912 thousand euros).

Lastly, total cash and current financial assets amounted to 9,128 thousand euros as of 30 June 2024, compared to 6,066 thousand euros as of 31 December 2023.

Liabilities

The financing used by the company is mainly made up of share issues and bond issues, and various public aids (research tax credit, repayable advances and subsidies).

The following table shows the changes in the Company's equity between 31 December 2023 and 30 June 2024.

(in thousands of euros) - IFRS Standards	**Company's equity**
Equity on 31 December 2023	**(21,010)**
Capital increases and share premiums net of expenses	778
Overall profit (loss) for the period	- (4,469)
Other items of comprehensive income	35
Share-based payments	67
Equity on 30 June 2024	**24,599**

As of 30 June 2024, the Company's equity was negative and amounted to 22,220 thousand euros.

Current liabilities

(in thousands of euros)	**31.12.2023**	**30.06.2024**
Current liabilities	(18.683)	(17,548)

Current liabilities amounted to 17.548 thousand euros as of 30 June 2024, compared to 18.683 thousand euros as of 31 December 2023. The decrease between 30 June 2024 and 31 December 2023 is mainly explained by:

- A decrease in trade payables for an amount of 491 thousand euros
- the reduction in social security contributions due to social organisations, due to the reduction in staff numbers amounting to 564 thousand euros.

Non-current liabilities

(in thousands of euros)	**31.12.2023**	**30.06.2024**
Non-current liabilities	(27,825)	(30,032)

Non-current liabilities mainly include bank loans and conditional advances. Non-current liabilities amounted to 30,032 thousand euros as of 30 June 2024, compared to 27,825 thousand of 31 December 2023.

The increase between 30 June 2024 and 30 June 2023 (2,207 thousand euros) is mainly due to the recording of the escrow account of 1,839 thousand euros.

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

In addition to the key risks and uncertainties described in Chapter 2 of the Annual Financial Report as at 31 December 2023, the Company is exposed to risks and uncertainties associated with the results of clinical studies. There has been no change over the period.

1.5 FORESEEABLE CHANGES IN THE GROUP'S SITUATION AND FUTURE PROSPECTS

In 2024, AB Science will continue to develop these two development platforms, masitinib and the microtubule destabilising agents – MDA platform.

For masitinib, AB Science remains focused on the licensing application procedure. This work on the licensing application is justified given the additional investments required to complete the confirmatory phase 3 clinical programme.

AB Science has stated that the time needed for this licence application cannot be predicted and that obtaining a licence depends on a number of factors and is not guaranteed. However, the milestones achieved at this stage are key factors contributing to the feasibility of this strategy.

For AB8939, the recent fundraising of 5 million euros will support the phase 2 clinical development of this molecule.

Lastly, the Company will continue to invest in *drug discovery* activities in order to increase its portfolio of molecules.

1.6 RELATED PARTIES

Transactions with related parties are mentioned in the notes to the condensed half-yearly consolidated financial statements (see note 26 to the consolidated financial statements). There have been no changes affecting related party transactions since the end of the 2023 period that could significantly affect the financial position or results of the group during the first six months of the current financial year.

2 CONDENSED HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS

The financial statements are presented in accordance with IFRS accounting standards.

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2.1 CONSOLIDATED FINANCIAL STATEMENTS RELATING TO THE CLOSING OF THE HALF-YEARLY ACCOUNTS AS OF 30 JUNE 2024

2.1.1 Consolidated statement of financial position

(in thousands of euros)

Assets	**Note**	**31.12.2023**	**30.06.2024**
Intangible assets	5	1,403	1,505
Tangible assets	6	249	217
Rights of use relating to rental contracts	7	536	815
Non-current financial assets	8	84	73
Other non-current assets		3,837	5,975
Deferred taxes		0	0
Non-current assets		6,109	8,585
Inventories	9	336	393
Trade accounts receivables	10	236	63
Current financial assets		0	0
Other current assets	11	12,752	4,812
Cash and cash equivalents	12	6,066	9,128
Current assets		19,390	14,396
TOTAL ASSETS		**25,499**	**22,982**

(in thousands of euros)

Liabilities	**Note**	**31.12.2023**	**30.06.2024**
Capital	13	511	518
Premiums		256,678	257,373
Translation reserves		(71)	(77)
Special reserves			60
Other reserves and income		(278,126)	(282,473)
Equity attributable to the owners of the company		(21,010)	(24,599)
Non-controlling interests		0	0
Equity		(21,010)	(24,599)
Non-current provisions	14	773	760
Non-current financial liabilities	15	26,670	26,766
Other non-current liabilities	16	0	1,840
Non-current rental obligations	17	382	667
Deferred taxes		0	0
Non-current liabilities		27,825	30,032
Current provisions	14	663	627
Trade payables	18	11,075	10,584
Current financial liabilities	15	1,906	1,901
Current rental obligations	17	212	199
Other current liabilities	16	4,828	4,237
Current liabilities		18,683	17,548
TOTAL LIABILITIES		**25,499**	**22,982**

2.1.2 Statement of comprehensive profit/loss

(in thousands of euros)	Note	30.06.2023	30.06.2024
Net turnover	19	**448**	**560**
Other operating income		0	
Total income		**448**	**560**
Cost of sales		(219)	(93)
Marketing costs		(218)	(190)
Administrative costs		(1,648)	(1,295)
Research and development costs		(7,213)	(2,564)
Other operating costs		(0)	0
Operating profit		**(8,850)**	**(3,582)**
Financial income		1,042	322
Financial costs		(2,610)	(1,210)
Financial income	23	**(1,569)**	**(887)**
Tax charge		8	0
Net profit/loss		**(10,411)**	**(4,469)**
Other items of comprehensive profit or loss			
Items that will not be subsequently reclassified to income:			
- Actuarial gains and losses		47	41
Items that may subsequently be reclassified to income:			
- Exchange rate differences - overseas activities		4	44
Other comprehensive income for the period, net of tax		51	85
Overall profit (loss) for the period		**(10,360)**	**(4,384)**
Net result for the period attributable to :			
- Non-controlling interests			
- Company owners		(10,411)	(4,469)
Overall result for the period attributable to :			
- Non-controlling interests			
- Company owners		(10,360)	(4,384)
Net earnings per share - in euros	25	(0.22)	(0.09)
Diluted earnings per share - in euros	25	(0.22)	(0.06)

2.1.3 Consolidated statement of cash flows

(in thousands of euros)	Note	31.12.2023	30.06.2024
Net profit/loss		**(11,985)**	**(4,469)**
- Removal of depreciation and provisions		2,271	199
- Removal of disposal income		0	
- Calculated expenses and income related to share-based payments		605	67
- Other income and expenses with no cash impact		(2,962)	849
- Removal of tax expense / income		0	0
- Removal of the deferred tax variation		0	0
- Impact of variation in working capital requirements related to the activity(*)		(4,423)	6,675
- Interest income and expenses		(376)	
Cash flow generated from operations before tax and interest		**(16,871)**	**3,321**
Taxes paid / received		0	0
Net cash flow from operations		**(16,871)**	**3,321**
Acquisitions of fixed assets		(345)	(91)
Disposal of tangible and intangible assets		0	0
Acquisitions of financial assets		0	12
Proceeds from the disposal of financial assets		0	0
Variation in loans and advances granted		0	0
Financial interest received / (paid)		(269)	0
Other flows related to investment transactions		0	0
Net cash flows from investment transactions		**(614)**	**(79)**
Dividends paid			
Increase (Reduction) in capital	13	11,474	664
Issuance of loans and receipt of conditional advances	15	6,000	0
Repayment of loans and conditional advances	15	(1,199)	(839)
Other flows related to financing transactions		0	0
Net cash flows related to finance transactions		**16,274**	**(175)**
Impact of exchange rate changes		8	5
Impact of assets held for sale		0	0
Impact of changes in accounting policies		0	0
Cash flow variation		**(1,203)**	**3,061**
Opening cash and cash equivalents	12	7,269	6,066
Closing cash and cash equivalents	12	6,066	9,128
Change in cash and cash equivalents by balances		**(1,203)**	**3,062**

(*) Impact of variation in working capital requirements related to the activity

Balance sheet sections	30.06.2024	31.12.2023	Change
Inventories	393	336	57
Trade accounts receivables	63	236	(173)
Other non-current assets	4,135	3,837	298
Other current assets	4,812	12,752	(7,940)
Change in WORKING CAPITAL ASSETS	9,403	17,161	(7,758)
Supplier debts (excluding cancellation of prescribed debts)	10,584	11,075	(491)
Other current liabilities	4,237	4,828	(591)
Change in WORKING CAPITAL LIABILITIES	14,821	15,903	(1,082)
Change in WORKING CAPITAL	(5,418)	1,258	(6,676)

2.1.4 Consolidated statement of changes in equity

(in thousands of euros)	Share Capital	Issue premiums	Translation Reserves	Other reserves and income	Total	Non-controlling interests	Total equity
AS AT 1st JANUARY 2024	**511**	**256,678**	**(71)**	**(278,126)**	**(21,010)**	**0**	**(21,010)**
Net result for the period				(4,469)	(4,469)		(4,469)
Other items of comprehensive profit or loss			(5)	41	35		35
Overall profit (loss) for the period	**0**	**0**	**(5)**	**(4,428)**	**(4,433)**		**(4,433)**
Increase in capital	*7*	695		*75*	*778*		*778*
Employee share-based payments				67	67		67
Share-based payments relating to third parties							
Total shareholder transactions	**7**	**695**	**(0)**	**142**	**844**		**844**
AS AT 30 June 2024	**518**	**257,373**	**(77)**	**(282,412)**	**(24,599)**	**0**	**(24,599)**

- The capital increase corresponds to the IFRS accounting of the Equity Line (note 13.2)

(in thousands of euros)	Share Capital	Issue premiums	Translation Reserves	Other reserves and profit or loss	Total	Non-controlling interests	Total equity
AS OF 1st JANUARY 2023	**469**	**233,927**	**(79)**	**(269,987)**	**(35,671)**	**0**	**(35,670)**
Net result for the period				(11,985)	(11,985)		(11,985)
Other items of comprehensive profit or loss			8	249	*257*		*257*
Overall profit (loss) for the period	**0**	**0**	**8**	**(11,736)**	**(11,729)**		**(11,729)**
Increase in capital	*42*	*22,751*			*22,793*		*22,793*
Employee share-based payments				*605*	*605*		*605*
Share-based payments relating to third parties				2,992	*2,992*		*2,992*
Total shareholder transactions	**42**	**22,751**	**0**	**3,597**	**26,389**	**0**	**26,389**
AS AT 31 December 2023	**511**	**256,678**	**(71)**	**(278,126)**	**(21,010)**	**0**	**(21,010)**

2.1.5 Notes to the financial statements

NOTE 1: ENTITY REPORTING THE FINANCIAL STATEMENTS

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

The consolidated financial statements of the Company for the period from 1 January 2024 to 30 June 2024 include the Company and its wholly-owned subsidiary in the United States which was created in July 2008 (the whole designated as "the Group" and each individually as "the Group entities").

AB Science is a company specialising in the research, development and marketing of synthetic therapeutic molecules for pathologies with high medical need, in diseases of the central nervous system, cancers and inflammatory diseases.

❖ Key events of the period

Clinical development events

During the period, the Company successively announced:

- EMA's negative opinion on the application for marketing authorisation for masitinib in amyotrophic lateral sclerosis and EMA's re-examination of the application. AB Science emphasised the difficulty in obtaining conditional marketing authorisation for ALS and not being able to guarantee a positive result following this re-examination procedure.
- The Notice of Deficiency-Withdrawal (NOD-W) regarding the submission of masitinib for the treatment of amyotrophic lateral sclerosis (ALS) in Canada and the ongoing request for reconsideration.
- The strengthening of intellectual property for masitinib in mastocytosis.

Other events

During the period, the Company successively announced:

- The subscription by Alpha Blue Ocean of a tranche of one million shares within the framework of the Term Capital Increase Programme (PACT™).
- The start of AB Science share coverage by DNA Finance and In Extenso Finance.
- The partial payments of the 2020, 2021 and 2022 CIR (French Research Tax Credit) by the tax administration in 2024, for a net total amount of 7,913 thousand euros.
- The confirmation by the Paris Court of Appeal of the clearing of the Chairman and CEO of AB Science, Alain Moussy, and the reduction in the amount of the penalty imposed on AB Science.
- The cancellation of category C preference shares.

Other information

AB Science confirmed its eligibility for the PEA-PME in accordance with Decree No 2014-283 of 4 March 2014 issued for the application of Article 70 of Law No 2013-1278 of 29 December 2013 on Finance for 2014 establishing the eligibility of companies for the PEA-PME, i.e.: less than 5,000 employees on the one hand, and annual turnover of less than 1.5 billion euros or a balance sheet total of less than 2 billion euros, on the other hand.

❖ Recent events since the end of the first half of the financial year 2024

Clinical development events

Since the end of the period, the Company has successively announced:

- Details on the AB8939 microtubule programme and in particular on the capacity of AB8939 to generate a response on the rearrangement of the MECOM gene.
- Details on the development of masitinib in progressive forms of multiple sclerosis following the ECTRIMS 2024 conference.
- Positive results from the phase 2 study of masitinib in Covid-19.

Other events

Since the end of the period, the Company has announced a capital increase by private placement for an amount of 5 million euros.

NOTE 2: BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

❖ Declaration of compliance and accounting principles

The consolidated financial statements were prepared in accordance with the IFRS as adopted in the European Union. All the texts adopted by the European Union are available on the European Commission website at the following address: http://ec.europa.eu/internal_market/accounting/ias_fr.htm.

The accounting methods are identical to those used by the Group as at 31 December 2023.

The Company has adopted the following standards, amendments and interpretations which are mandatory for financial years beginning on or after 1 January 2024:

- Amendment to IFRS 16 - Leases on sale and leaseback policies.
- Amendment to IAS 1 - Non-current liabilities with covenants
- Amendment to IAS 7 and IFRS 7 - Supplier Financing
- Amendments to IAS 21 - Lack of convertibility

The application of these standards and amendments has no impact on the Group's condensed interim consolidated financial statements.

❖ 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.

❖ 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 indicated.

❖ Business continuity

The principle of business continuity is maintained taking into account the Company's cash level as of 30 June 2024, the additional sources of financing available, the financing obtained since 30 June 2024 and the Company's business plan for the 12 months following the closing date of the accounts. To assess the continuity of operations over the 12 months following the closing date of the accounts, the following were taken into account and included, in particular:

- The partial payment of CIR2022, having taken place in the first half of 2024, in the amount of 2,971 thousand euros.
- The total or partial payment of the CIR2023, or its review, in 2024, for a minimum amount of 2,590 thousand euros if the Tax Administration applies corrections according to the same principles as for the CIR2022.
- The allocation of current resources primarily to the development of masitinib in the treatment of amyotrophic lateral sclerosis and the development of the platform targeting microtubules, after being able to reduce clinical costs.
- The capital increase by private placement for an amount of 5,000 thousands euros, announced on 30 September 2024.

In addition, the Company could, if necessary, continue the drawing of the current tranche and new tranches under the PACT® programme concluded with Alpha Blue Ocean.

❖ 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 methods and on the amounts 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 the accounting methods, which have the most significant impact on the amounts reported in the consolidated financial statements, are included in the following notes:

- Note 3.6 – valuation of share-based payments
- Note 11 - other current and non-current assets
- Note 15.1 – valuation of financial liabilities at fair value
- Note 18 – Trade payables
- Note 24 – tax on profits

NOTE 3: MAIN ACCOUNTING METHODS

Note 3.1: Capital

The capital consists of four categories of shares as of 30 June 2024:

- Ordinary shares (class A)
- Free preference shares convertible into ordinary shares (class B).
- Class B shares: "In accordance with Article 11. III. 7. of the articles of association of AB Science, in the event of a public takeover bid and/or exchange offer, the Board of Directors may, as from the date on which the Autorité des marchés financiers (French Financial Markets Authority) gives its declaration of conformity on the public takeover bid and/or exchange offer, decide to immediately convert all B Shares into A Shares"
- Please note that free preference shares convertible into ordinary shares (class B') were issued in September 2023 and are definitively acquired after the closing date, in September 2024. They therefore do not appear in the capital as of 30 June 2024: "In accordance with Article 11. IV. 4. of the articles of association of AB Science, in the event of a public takeover bid and/or exchange offer, the Board of Directors may, as from the date on which the Autorité des marchés financiers (French Financial Markets Authority) gives its declaration of conformity on the public takeover bid and/or exchange offer, decide to immediately convert all B Shares into A Shares"
- 2020 preference shares (class D)
- 2023 preference shares (class E)

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

Note 3.2: Tangible Fixed 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.

The estimated useful lives are as follows:

- Installations and fittings 3-5 years
- Industrial equipment 3 years
- Furniture and office and computer 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.

Gains and losses on the sale of tangible assets are determined by comparing the sale proceeds with the carrying amount of the asset and are recorded at their net value in "other income" or "other expenses" in the income statement.

Note 3.3: Intangible assets

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 depreciation and accumulated impairment losses.

The Company believes that due to the risks and uncertainties associated with obtaining regulatory authorisations for the marketing of its product candidates, the technical feasibility of the projects under development will only be established once the regulatory authorisations for the marketing of the products have been obtained. Consequently, in application of IAS 38, the Company expensed all of its research and development costs incurred in the first half of 2024 and during previous periods.

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.

Depreciation 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

Note 3.4: 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.

Note 3.5: 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.

Note 3.6: 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.

Note 3.7: 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 on the balance sheet date.

If the effect of the time value is significant, 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 bond. The increase in the provision to reflect the passage of time is recognised in finance costs.

Note 3.8: Turnover

According to IFRS 15, revenue is recognised when the Company fulfils a performance obligation by providing distinct goods or services (or a series of goods or services) to a customer, i.e. when the customer obtains control of those goods or services.

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.

Note 3.9: Research tax credit

Research tax credits are granted to companies by the French State to encourage them to carry out technical and scientific research. Companies that have qualifying expenses (research expenditure located in France or, within the European Union or in another State party to the agreement on the European Economic Area and having concluded a tax convention with France containing an administrative assistance clause) benefit from a tax credit which can be used for the payment of corporate tax.

This research tax credit is recognised as a subsidy, as a deduction from recognised research and development costs.

Note 3.10: Subsidies

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 conditional non-repayable government loan is treated as a government grant, recorded as income, if there is reasonable assurance that the company will meet the conditions for the loan repayment waiver. If not, it is classified as a liability.

Note 3.11: Conditional advances

Conditional advances, whether or not subject to interest, are intended to finance research programmes. They are reimbursable if the project is successful. These advances are recognised in financial liabilities and, if necessary, returned to income in the event of foreseeable failure of the project.

Financial debts are accounted for and valued in accordance with IFRS 9 Financial Instruments. Financial debts are valued at amortised cost.

The portion at more than one year of conditional advances is recorded as financial debt, non-current portion, while the portion at less than one year is recorded as financial debt, current portion.

Note 3.12: PACT™ Programme

The IFRS accounting treatment of the PACT™ Programme is detailed in note 13.2

Note 3.13: Financial liabilities at amortised cost

Loans and other financial liabilities are accounted for and valued in accordance with IFRS 9 Financial Instruments.

They are recorded at amortised cost. The amortised cost of a financial asset or financial liability is defined under IFRS 9 as the value assigned to a financial liability on initial recognition, less principal repayments, plus or minus cumulative amortisation, calculated using the EIR.

Transaction costs that are directly attributable to the acquisition or issuance of a financial liability are deducted from this financial liability. These costs are then amortised over the life of the liability based on the EIR.

Note 3.14: Classification of current expenses

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

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

Expense recognition relating to ongoing research operations: due to the existence of a time lag between the date on which the costs of treatment are incurred for clinical studies and the date on which these costs are invoiced by the centres, the Company provides for the estimated amount of not yet billed expenses at each closing. Treatment costs are estimated for each study by valuing the visits made by each patient based on the contracts signed with the clinical research centres carrying out the trials. The estimated total amount for each study is reduced by the total amount of invoices received on the closing date. Provisions for not yet billed charges are maintained for three years after the closure of clinical research centres and the last visit of the last patient in the study. Provisions for invoices not received at the end of this period are fully reversed.

Administrative costs include the functions of General Management and Support (finance, general secretariat, etc.).

Note 3.15: Rights of use and lease liabilities

Pursuant to accounting standard IFRS 16, the recognition of real estate leases as well as concession contracts for which the Group is the lessee results, on the effective date of each lease, to the recording in the balance sheet of an amount of rental debt corresponding to the discounted future rental payments, as well as in return for an asset in respect of the right of use relating to this rental contract.

The assessment of the lease term and the estimate of the lessee's incremental borrowing rate are determined on the effective date of each lease.

The lease term is defined contract by contract and corresponds to the firm period of the commitment, taking into account the optional periods which are reasonably certain to be exercised.

In the income statement, amortisation charges are recorded in current operating income and interest charges in financial income. The tax impact of this consolidation restatement is taken into account through the recognition of deferred taxes.

During the life of each contract, the amount of the debt and the right of use may be adjusted on the occasion of events leading to the revision or modification upwards or downwards of the lease term and the the rent.

The main simplification measures allowed by IFRS 16 are applied by the Group:

- Exclusion of leases relating to underlying assets of low value less than €5,000;
- Exclusion of leases for a period of less than 12 months.

Rents from contracts excluded from the scope of IFRS 16 are recorded directly in operating expenses.

Note 3.16: 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.

Note 3.17: Income tax

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

The tax is recorded in the income statement unless it relates to items which are recorded directly in equity or in other comprehensive income; in which case it is recorded in equity or other comprehensive income.

The tax payable is (i) the estimated amount of tax due in respect of the taxable profit for a period, determined using the tax rates that have been adopted or almost adopted on the balance sheet date, and (ii) any adjustment to the amount of tax payable for previous 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 valued at tax rates whose application is expected over the period during which the asset will be realised and the liability settled, based on the tax regulations that have been adopted or are almost adopted on the closing 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 on each balance sheet date and are reduced to the extent that it is no longer likely that sufficient taxable profit will be available.

Note 3.18: Earnings per share

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

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

NOTE 4: FINANCIAL RISK MANAGEMENT

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

Credit risk

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

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

Liquidity risk

Liquidity risk is the risk that the Group will experience difficulties settling its debts when they fall due. The Group's approach to managing liquidity risk is to ensure 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.

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 and through loans from private investors or public bodies.

In view of the amounts of cash, cash equivalents and current financial assets available to it as of 30 June 2024 (see note 12), to which is added the recent capital increase of 5 million euros, AB Science does not consider that it is exposed to a short-term liquidity risk. Management believes that the amount of cash, cash equivalents and current financial assets is sufficient to ensure the financing of AB Science for the next twelve months.

AB Science nevertheless indicated that its liquidity management depends, in part, on the PACT programme put in place with Alpha Blue Ocean and renewed on 28 April 2023. AB Science would like to point out the risks associated with this programme:

- Even though trading rules will be given by AB Science to Alpha Blue Ocean, the shares subscribed by Alpha Blue Ocean may be sold on the market at very short notice, which may create strong downward pressure on the AB Science share price. Shareholders may suffer a loss of their invested capital due to a significant decrease in the value of the company's shares, as well as significant dilution due to the large number of securities that may be issued to Alpha Blue Ocean.
- The commitment of the Alpha Blue Ocean fund is to a number of shares to be subscribed and not to a subscription amount.
- The amount ultimately obtained by AB Science will depend on the market price of the AB Science share on Euronext Paris at the time of the drawdown of each tranche and on the evolution of the market price during the periods of orderly disposal of the shares subscribed by Alpha Blue Ocean. If the share price of AB Science shows a downward trend after a drawdown, AB Science will ultimately receive less than the issue proceeds initially paid by Alpha Blue Ocean for the relevant tranche.

Market risk

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

Risk of change

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

At this stage of its development, the Company does not use hedging transactions to protect its business against exchange rate fluctuations.

Rate risk

The group is not significantly exposed to interest rate risk insofar as the risk is low for fixed rate contracts.

Capital risk

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

Dilution risks are specific to the PACT™ programme put in place with Alpha Blue Ocean (ABO). This programme covers a total potential number of 4 million shares. A first tranche of 1 million shares was subscribed at the end of March 2024. The balance of ordinary shares that may be issued in the event of full use of the PACT™ is therefore 3 million shares. Following the issuance of these 3 million of shares, the share capital (including all classes of shares) of AB Science will amount to621,701.53 euros (including 55,375,019 ordinary shares), representing approximately 5.1% of the existing share capital of AB Science. By way of illustration, a shareholder holding 1.0% of the share capital of AB Science prior to the use of the 3 millions shares that may still be issued under the PACT™ will hold 0.95% of the share capital of AB Science after the issuance of the ordinary shares that may be issued in the event of full use of PACT™.

NOTE 5: INTANGIBLE ASSETS

The change in intangible assets can be analysed as follows during the the period.

(in thousands of euros)	Gross value	Depreciation & impairment loss	Net value
1st January 2024	**3,170**	**(1,768)**	**1,403**
Acquisitions / Allocation	89	14	102
Disposals – patent abandonments	(1028)	1,028	**0**
30 June 2024	**2,231**	**(727)**	**1,505**

Intangible assets consist mainly of patents (1,505 thousand euros in net value as of 30 June 2024). These patents have been recorded as assets in accordance with the capital asset criteria.

NOTE 6: TANGIBLE ASSETS

Tangible assets are analysed as follows.

Gross value

(in thousands of euros)	Technical installations, hardware and industrial tooling	Various fittings	Office equipment, IT hardware and furniture	Total
1st January 2024	**451**	**254**	**343**	**1,050**
Acquisitions / Allocation	2	0	0	2
Divestment / Disposal	0	0	0	0
Translation differences				
30 June 2024	**453**	**254**	**343**	**1,052**

Depreciation

(in thousands of euros)	Technical installations, hardware and industrial tooling	Various fittings	Office equipment, IT hardware and furniture	Total
1st January 2024	**(408)**	**(80)**	**(314)**	**(801)**
Allocations	15	11	12	37
Divestment/disposal reversals	0	0	0	0
Translation differences	0	0	0	0
30 June 2024	**(422)**	**(91)**	**(326)**	**(838)**

Net values

(in thousands of euros)	Technical installations, hardware and industrial tooling	Various fittings	Office equipment, IT hardware and furniture	Total
1st January 2024	43	175	30	**249**
30 June 2024	31	163	21	**215**

There was no recording of loss in value in application of the IAS 36 standard. No tangible assets have been pledged as collateral.

NOTE 7: USAGE RIGHTS

The usage rights are related to the office rental contracts. The duration of the rentals used to determine the usage right corresponds to the contractual duration of the various leases.

(in thousands of euros)	31.12.2023	30.06.2024
IFRS 16 application	2,426	2,831
Asset inputs	0	0
Prior depreciation charges	(1,532)	(1,890)
Depreciation charges for the period	(358)	(126)
Terminations	0	0
Total	**536**	**815**

NOTE 8: CURRENT AND NON-CURRENT FINANCIAL ASSETS

Note 8.1: Details of financial assets

Current and non-current financial assets are analysed as follows:

(in thousands of euros)	31.12.2023		30.06.2024	
	Non-current financial assets	**Current financial assets**	**Non-current financial assets**	**Current financial assets**
Deposits paid as security for rents	84	0	73	0
Total	**84**	**0**	**73**	**0**

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

Note 8.2: Change in financial assets

As of 30 June 2024:

(in thousands of euros)	01.01.2024	Increases	Reductions	Others	30.06.2024
Others	84	1	13	0	73
Financial assets	84	1	13	0	73

As of 31 December 2023:

(in thousands of euros)	01.01.2023	Increases	Reductions	Others	31.12.2023
Others	74	14	3	0	84
Financial assets	74	14	3	0	84

NOTE 9: INVENTORIES

Inventories amounted to 393 thousand euros as of 30 June 2024, compared to 336 thousand euros as of 30 June 2023 and are analysed as follows:

(in thousands of euros)	31.12.2023	30.06.2024
Inventories of raw materials and active ingredients	1	0
Depreciation Inventories of raw materials and active ingredients	0	0
Inventories of intermediate products	410	762
Depreciation Inventories of intermediate products	(166)	(455)
Inventories of finished products	338	283
Depreciation Inventories of finished products	(248)	(197)
Total inventories – net	**336**	**393**

NOTE 10: TRADE AND ACCOUNTS RECEIVABLE

This item is analysed as follows:

(in thousands of euros)	31.12.2023	30.06.2024
Other trade accounts receivables	249	118
Depreciation	(13)	0
Trade accounts receivables - net	236	118

NOTE 11: OTHER CURRENT AND NON-CURRENT ASSETS

Other current and non-current assets are analysed as follows:

(in thousands of euros)	31.12.2023		30.06.2024	
	Non-current	**Current**	**Non-current**	**Current**
Research tax credit (1)	3,791	10,551	4,133	3,305
VAT receivables	-	1,005	0	971
Subsidies receivable	-	0	0	0
Suppliers' receivables and credits to be received	-	322	0	45
Other receivables (2)	-	235	1832	137
Conditional advances receivable	-	0	0	0
Deferred charges	46	639	10	354
Total	**3,837**	**12,752**	**5,975**	**4,812**

(1) Research tax credit as of 30 June 2024

In thousands of euros	**2020**	**2021**	**2022**	**2023**	**S1 2024**	**Total**
Declared Claim	1,253	795	932	3,450	1,009	7,438
Non-current Claim	1,253	795	932	892	261	4,133
Current Claim	0	0	0	2,557	748	3,305

For the CIR2020, the amount not reimbursed at the date of closing of the accounts amounts to 1,291 thousand euros. Of this amount, the Company considers that 97% (i.e. the sum of 1,253 thousand euros) is eligible for the CIR and submitted a request to the Paris Administrative Court in May 2024, which sets out the corresponding arguments and supporting documents and confirms that 3% (i.e. the sum of 38 thousand euros, recorded as tax assessment) is not eligible for the CIR.

For the CIR2021, the amount not reimbursed at the date of closing of the accounts amounts to 946 thousand euros. Of this amount, the Company considers that 84% (i.e. the sum of 795 thousand euros) is eligible for the CIR and submitted a request to the Paris Administrative Court in June 2024, which sets out the corresponding arguments and supporting documents and confirms that 16% (i.e. the sum of 151 thousand euros, recorded as tax assessment) is not eligible for the CIR.

For the CIR2022, the amount not reimbursed at the date of closing of the accounts amounts to 1,037 thousand euros. Of this amount, the Company considers that 89% (i.e. the sum of 932 thousand euros) is eligible for the CIR and submitted a request to the Paris Administrative Court in Aug 2024, which sets out the corresponding arguments and supporting documents and confirms that 11% (i.e. the sum of 105 thousand euros, recorded as tax assessment) is not eligible for the CIR.

With regard to the CIR2023, like that of 2024, it cannot be excluded that the Tax Administration will apply the same rules as for the CIR2020, 2021 and 2022, and that the claim will not be fully repaid in the short term, which could lead the Company to initiate new disputes against the Tax Administration, generating advisory and procedural costs. With regard to the ongoing litigation concerning the CIR2020, 2021 and 2022, the outcome of these proceedings cannot be guaranteed and, if the Company's arguments do not prevail in the context of these litigations, then part of the CIR2020, 2021 and 2022 receivables may not be reimbursed by the Tax Administration and the Administration's interpretation, validated by the courts, could have a significant adverse impact on the calculation of CIR reimbursements for the years to come.

(2) Other receivables mainly include the recording of the escrow account (PACT Programme: 1,887 thousand euros, see note 13.2) and advances made to staff (65 thousand euros).

NOTE 12: CASH AND CASH EQUIVALENTS

Net cash at opening:

(in thousands of euros)	**01.01.2023**	**01.01.2024**
Liquid assets	3,267	3,059
Term deposits	4,002	3,007
Cash and cash equivalents on the balance sheet	7,269	6,066
Bank overdrafts	0	0
Cash and cash equivalents in the cash flow statement	7,269	6,066

Net cash at closing:

(in thousands of euros)	**31.12.2023**	**30.06.2024**
Liquid assets	3,059	6,124
Term deposits	3,007	3,004
Cash and cash equivalents on the balance sheet	6,066	9,128
Bank overdrafts	0	0
Cash and cash equivalents in the cash flow statement	6,066	9,128

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

NOTE 13: EQUITY

Note 13.1: Changes in capital

The change in share capital is as follows:

	Share Capital		AB Science Group		
(in euros)	*Number of shares*	*Share Capital*	Ordinary shares	Nominal value	AB Science Group Capital
Share Capital at 1st January 2024	***58,124,497***	***581,244.97***	**51,066,569**	**0.01**	**511,117.03**
Capital increase following the exercise of BSA - January 2024	*4,500*	*45.00*	4,500	0.01	45.00
Capital increase within the framework of the PACT - March 2024	*1,000,000*	*10,000.00*	377,393	0.01	3,773.93
Capital decrease following the cancellation of the ADPC - March 2024	*-262,794*	*-2,627.94*		0.01	
Capital increase following the exercise of BSA - May 2024	*4,500*	*45.00*	4,500	0.01	45.00
Capital increase following the exercise of BSA - June 2024	*299,450*	*2,994.50*	299,450	0.01	2,994.50
Share Capital as of 30/06/2024	***59,170,153***	***591,701.53***	**51,752,412**	0.01	**517,975.46**

These totals are exclusive of share warrants ("BSA"), warrants for business creator shares ("BSPCE") and subscription options granted to certain investors and to certain individuals, in particular employees of the Company (see note 22.1).

In January 2024, the capital was increased by 45.00 euros following the issue of new shares following the exercise of share subscription warrants. The corresponding issue premium is zero. The amount received in cash was 45.00 euros.

In March 2024, the PACT™ programme was used with the drawing of a first tranche of 1 million shares. There is a difference between share capital and share capital after IFRS restatement. The share capital was increased by 10,000 euros following the issue of 1 million new shares as part of the drawing of the first tranche of the PACT programme. The corresponding issue premium is 2,560.10 thousand euros. After IFRS restatement, following this transaction, the group's capital as of 30 June 2024 is increased by only 3,773.93 euros, taking into account only the shares subscribed and then sold by ABO on the market. The status of the draw and the accounting treatment are detailed in note 13.2 below.

In March 2024, the share capital was reduced by 2,627.94 euros following the cancellation of the ADPC. The group's capital was not affected by this operation.

In May 2024, the capital increased by 45.00 euros following the issue of new shares following the exercise of share subscription warrants. The corresponding issue premium is zero. The amount received in cash was 45.00 euros.

In June 2024, the capital increased by 2,994.50 euros following the issue of new shares following the exercise of share subscription warrants. The corresponding issue premium is zero. The amount received in cash was 2,994.50 euros.

At the General Meeting of 31 December 2009, a double voting right granted to the other shares, having regard to the proportion of the share capital they represent, was granted to all fully paid shares for which it could be proven that the shares had been registered for at least two years in the name of the same shareholder, it being specified that the starting point of this two-year period could not be before 1 April 2010. This right is also conferred from the point of issue in the event of a capital increase by incorporation of reserves, profits or issue premiums, on registered shares allocated free of charge to a shareholder in respect of old shares for which he or she already has this right.

On 30 June 2024, the capital of AB Science Group consists of 52,375,019 shares, of which 16,826,767 shares have a double voting right.

Note 13.2: PACT Programme

In March 2024, 1 million new shares were subscribed at a unit price of 2.5701 euros per ABO as part of the drawing of the first tranche of the PACT™ programme. Of the total subscription of 1 million shares, only 20%, or 514,020 euros, was immediately paid to AB Science, the balance, or 2,056,080 euros, being placed in an escrow account held by ABO, then being released gradually depending on the value of the sales of these shares on the market by ABO. ABO then began to sell the subscribed shares in an orderly manner.

As of 30 June 2024, 377,393 shares were sold by ABO on the market, increasing the group's capital by 3,773.93 euros. These sales resulted in an additional payment, net of commissions, by ABO of 168,161 euros to the Company. The balance of shares still held by ABO is 622.602 as of 30 June 2024.

As of 30 June 2024, the total payment received by the Company over the period, net of commissions, was 682,183 euros (514,020 euros for the initial payment, including 3,773.93 euros of share capital, to which is added 168,161 euros for additional payments net of commissions). The amount of capital subscribed by ABO and remaining in the escrow account is 1,887,917 euros (2,056,080 euros of the initial escrow, reduced by 168,161 euros for additional payments net of commissions). This amount is recorded as non-current assets. ABO has a period of two years, which may be extended by mutual agreement, to sell these shares according to the terms defined contractually. This amount of 1,839,914 euros as of 30 June 2024 is recorded as non-current debt. (2,570,100 euros of the subscribed capital, reduced by 730,186 euros corresponding to the amount of the sales, net of commissions.)

NOTE 14: PROVISIONS

Provisions are broken down as follows:

		30.06.2024	
(in thousands of euros)	**Non-current**	**Current**	**Total**
Litigation		576	**576**
Restructuring provision		51	**51**
Provision for employee benefits	760		**760**
Total	**760**	**627**	**1,387**

		31.12.2023	
(in thousands of euros)	**Non-current**	**Current**	**Total**
Litigation		663	**663**
Provision for employee benefits	773		**773**
Total	**773**	**663**	**1,436**

The change in provisions can be analysed as follows during the the period:

(in thousands of euros)	Litigation	Provision for tax	Restructuring provision	Provision for employee benefits	Total
1st January 2024	**478**	**117**	**68**	**773**	**1,436**
Allocations	15				15
Change in OCI					
Reversals used	(33)		(17)		(50)
Reversals not used				(13)	(13)
30 June 2024	**460**	**117**	**51**	**760**	**1,387**

- **Provision for disputes**

The provision for disputes totalling 460 thousand euros on 30 June 2024 relates mainly to:

- provision for four court disputes arising from the termination of employment contracts (354 thousand euros)
- provision for disputes with two suppliers (105 thousand euros).

- **Provision for tax**

For the CIR2019 (reimbursed in full in 2020), the Company received in December 2023 from the Tax Administration a proposal for rectification for an amount of 1,086 thousand euros (excluding late payment interest), following an expert appraisal by the MESR. The Company confirms that the sum of 117 thousand euros is not eligible and has set aside this amount, and the Company disputes this proposed correction for the difference, i.e. 969 thousand euros. Any definitive rectification or conviction of the Company on the CIR2019 could have an adverse impact on the Company's cash flow.

- **Restructuring provision**

The restructuring provision of 51 thousand euros relates to the balance remaining to be paid to France Travail. In April 2023, a job protection plan was submitted to the administration. This plan was approved by the DRIEETS (Regional Directorates for the Economy, Employment, Labour and Solidarity) in June 2023 and concerns the loss of 29 positions.

- **Provision for employee benefits**

The provision for employee benefits corresponds to the provision for retirement allowances for the Group's employees. No funds have been set up to cover the corresponding commitment. The commitment was calculated on the basis of a discount rate of 3.7% compared to 3.8% in 2023.

Since 2021, the provision for retirement allowances is calculated in accordance with the new regulation (IFRS IC decision on the Interpretation of IAS 19) and now concerns employees with more than three years of service at the end of the financial year.

NOTE 15: FINANCIAL LIABILITIES

Note 15.1: Current / non-current distribution

Distribution between current and non-current financial assets is as follows:

Financial liabilities at amortised cost:

(in thousands of euros)	31.12.2023		30.06.2024	
	Non-current	**Current**	**Non-current**	**Current**
Conditional advances	9,934	0	10,480	0
Line of credit/bank loans	3,658	1,901	2,837	1,892
Convertible bonds / BSA	0	0	0	0
D preference shares	0	0	0	0
E preference shares	8	0	0	0
EIB Loan	12,788	0	13,359	0
Other financial liabilities	63	0	89	0
Payable incurred interest	0	4	0	10
Financial liabilities at amortised cost	26,450	1,906	**26,766**	**1,901**

Financial liabilities at fair value:

(in thousands of euros)	31.12.2023		30.06.2024	
	Non-current	**Current**	**Non-current**	**Current**
D preference shares	1	0	0	0
E preference shares	60	0	10	0
EIB BSA	160	0	19	0
EIB Loan	0	0	0	0
Financial liabilities at fair value	**221**	**0**	**29**	**0**

In accordance with IFRS 7, Financial Instruments: Disclosures, fair value evaluations must be classified according to a hierarchy which includes the following levels:

- Level 1: active market prices for identical assets or liabilities (without modification or repackaging)
- Level 2: active market prices for similar assets or liabilities and valuation techniques for which all material inputs are based on observable market information;
- Level 3: valuation techniques whose material input is not all based on observable market information.

The level used to calculate the fair value of securities is as follows:

D preference shares	3
E preference shares	3
EIB BSA	2

Change in non-current financial liabilities:

(in thousands of euros)	Non-current	Current
1st January 2024	**26,670**	**1,906**
Collections/ receivables	0	0
Reimbursements / mandatory convertible bonds	0	(839)
Current/non-current reclassifications	(822)	822
Discount effect/fair value variation preference shares/accrued interest	917	13
30 June 2024	**26,766**	**1,901**

Loan repayments impacting cash flow amounted to 830 thousand euros.

The increase in non-current financial liabilities amounted to 95 thousand euros on 30 June 2024 and can be explained mainly due to the following effects:

- the accounting of capitalised interest as of 30 June 2024 of the EIB loan: +518 thousand euros
- the impact of the discounting of conditional advances: +546 thousand euros
- The reclassification as current of maturities of less than one year on the company's bank loans -822 thousand euros.

Note 15.2: Conditional and repayable advances

Conditional advances amounted to 10,480 thousand euros and relate to the following advances:

- Conditional advance from Bpifrance ISI (strategic industrial innovation project) concerning the project entitled APAS-IPK-Improving the Predictability of Activity and Selectivity of Kinase Inhibitors in Oncology amounting to 4,432 thousand euros. The total amount of the conditional advance amounted to 4,432 thousand euros to be released in 4 phases. If the project is successful, the company will pay Bpifrance from the third year of marketing masitinib in human oncology, 1% of the annual turnover generated by the use of the products resulting from the project, capped at 4,000 thousand euros per year. The payments due will end when the cumulative amount of financial returns has reached the sum of 16,000 thousand euros.
- Conditional advance from Bpifrance ISI (strategic industrial innovation project) amounting to 5,764 thousand euros, relating to the project entitled ROMANE, the objective of which is to develop an innovative therapeutic molecule for Alzheimer's disease. The total amount of the conditional advance amounted to 5,764 thousand euros to be released in 3 phases. If the project is successful, the company will pay Bpifrance, from the third year of marketing masitinib in neurology, the amount of 6,600 thousand euros, according to a schedule over four years. Once this reimbursement has been made, AB Science will pay Bpifrance, for a period of three consecutive years, 1% of the annual turnover generated by the use of the products resulting from the project, up to a cumulative limit of 7,000 thousand euros.

These two advances are recorded as financial liabilities and, if necessary, recorded as losses in the event of foreseeable failure of the project.

Financial debts are accounted for and valued in accordance with IFRS 9 Financial Instruments. Financial debts are valued at amortised cost.

The portion at more than one year of conditional advances is recorded as financial debt, non-current portion, while the portion at less than one year is recorded as financial debt, current portion.

Variation in conditional and repayable advances:

(in thousands of euros)	Non-current	Current
As of 1st January 2024	**9,934**	**0**
Catch Up effect		
Unwinding of discount effect	546	
30 June 2024	**10,480**	**0**

Conditional advances, whether or not subject to interest, are intended to finance research programmes. These advances, are repayable in the event that the programme which received the grant is successful. In the event of failure of the programme, the conditional advances are not reimbursed.

The change in fair value recorded in financial income is a loss of 546 thousand euros, with no impact on cash.

Schedule of conditional and repayable advances:

(in thousands of euros)	Total	Less than 1 year	than 2 years	than 3 years	than 4 years	than 5 years	More than 5 years

1st January 2024	**9,934**		9,934
30 June 2024	**10,480**		10,480

Note 15.3: Bank loans

The company concluded:

- in September 2020, a loan from BPIFrance for an amount of 1,000 thousand euros at a fixed rate of 2.25% for a period of 60 months
- in April 2021 three loans guaranteed by the State for a total of 6.000 thousand euros at a fixed rate of 0.25% for two loans and at a rate of 1.75% for one loan. Each loan amounts to 2,000 thousand euros. The company benefits from spreading out the repayment of the three SGLs over two to four additional years compared to the initial schedule. The final date for reimbursement of the SGL will therefore be in April 2027.
- in December 2022, the drawing of the first tranche of 6,000 thousand euros of the total loan of 15,000 thousand euros granted by the European Investment Bank (EIB). The contract signed with the EIB provides for financing in two tranches of 6,000 thousand euros and a third tranche of 3,000 thousand euros, each subject to the fulfilment of certain conditions precedent, which have been satisfied for the first two instalments. The first tranche has a maturity of six years and is therefore repayable in December 2028. It is accompanied by a capitalised annual interest rate of 9.0% and the issue of 126.050 share subscription warrants each giving the right to subscribe to one ordinary share of AB Science at 8.61 euros for 15 years. The second tranche has a maturity of five years and is therefore repayable in January 2028. It is accompanied by a capitalised annual interest rate of 7.0% and the issue of 115.830 share subscription warrants each giving the right to subscribe to one ordinary share of AB Science at 14 euros for 15 years. The Group has recorded a debt of 12,000 thousand euros which will be increased by capitalised interest for each period. The amount of capitalised interest as of 31 December 2023 amounted to 941 thousand euros. The BSAs do not meet the definition of equity instruments (IAS 32) as their contractual terms include a repayment obligation in a number of scenarios. The BSAs are therefore recorded as debts valued at each closing at fair value. The value of these BSAs as of 31 December 2023 amounted to 160 thousand euros. Their initial values were 444 thousand euros, representing a variation of 285 thousand euros, recorded as financial income, with no impact on cash flow.

Borrowing schedule:

As of 30 June 2024:

	At 1 year max.	Over 1 year to up to 5 years	At over 5 years	Total
BPI Loan	313	63		**375**
EIB Loan			12,000	**12,000**
SGL Loan	1,563	2,782		**4,346**
Total	**1,884**	**2,837**	**12,000**	**16,721**

As of 31 December 2023:

	At 1 year max.	Over 1 year to up to 5 years	At over 5 years	Total
BPI Loan	313	188		**500**
EIB Loan			12,000	**12,000**
PGE Loan	1,514	3,537		**5,051**
Total	**1,827**	**3,725**	**12,000**	**17,551**

Note 15.4: Preference shares

Class D preference shares

On 1 September 2020, the Board of Directors, using the delegation granted by the general meeting of 31 August 2020, authorised the issue of 6,000,000 preference shares (class D) with a nominal value of 0.01 euros each.

If the Company has not obtained two "MA" marketing authorisations (from the European Medicines Agency or the U.S. Food and Drug Administration) for one or more of its drug candidates in two different indications before the maturity date (31 December 2028, 31 December 2029 and 31 December 2030), then the D Shares will be purely and simply cancelled (after redemption

by the Company for one symbolic euro, in accordance with a promise of sale to be concluded with each holder of D Shares), without any other compensation for the holders of D Shares.

Preference shares are defined as debt instruments and are therefore recognised as financial liabilities. These instruments are valued at fair value on each balance sheet date, the change in fair value being recognised in financial income. As of 30 June 2024, the fair value of the class D preference shares is close to zero euros, compared to 614 euros as of 31 December 2023. The change in fair value compared to 31 December 2023 amounts to 614 euros, recognised in financial income and with no impact on cash flow.

Class E preference shares

AB Science has no obligation to "redeem" the ADPEs and they are convertible into a fixed number (750,000) of ordinary shares.

Only the preferred dividend (equal to 1.25% of net sales of masitinib or any licence royalties, up to a maximum of 9,000 thousand euros) is not payable by AB Science.

In accordance with IAS 32, these ADPE shares should therefore be split into an equity component and a debt component.

As of 21 April 2023, the ADPEs were valued as follows:

- Share price: €6.44
- Risk-free rate: 3% (source CNO)
- Term 20 years to infinity
- Valuation: €2,908,177 for 750,000 ADPEs

The valuation of the preferred dividend amounts to 10 thousand euros as of 30 June 2024 recorded under financial liabilities. This valuation is based on an expert appraisal and is based on the following assumptions:

- Obtaining a licensing agreement within 12 months of the date of the previous report
- The signing of a licensing agreement would necessarily imply a share price above €5.
- The estimate of a liability of 3,500 thousand euros, which would be triggered in the event of a market share price above €5 and below €30.

On the issue date, the estimated value of the ADPE was 481 thousand euros, then 60 thousand euros on 31 December 2023 compared to 10 thousand euros on 30 June 2024. The change over the period in the fair value of these instruments, 50 thousand euros, was recorded as financial income, with no impact on cash flow.

NOTE 16: OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities are broken down as follows:

(in thousands of euros)	31.12.2023		30.06.2024	
	Non-current	**Current**	**Non-current**	**Current**
Social liabilities	0	3,960	0	3,845
Tax liabilities	0	564	0	392
Other debts	0	304	1,840	
Total	**0**	**4,828**	**1,840**	**4,237**

Social liabilities include the provision for paid leave and the corresponding social security charges, as well as the contributions due to the various social security organisations.

Other liabilities correspond to the counterpart of the escrow account recorded as an asset under the PACT programme (see note 13.2).

NOTE 17: RENTAL OBLIGATIONS

(in thousands of euros)	31.12.2023		30.06.2024	
	Non-current	**Current**	**Non-current**	**Current**
Rental obligations	382	212	667	199
Total	**382**	**212**	**667**	**199**

NOTE 18: TRADE PAYABLES

This item is analysed as follows:

(in thousands of euros)	**31.12.2023**	**30.06.2024**
Suppliers	6,459	6,205
Suppliers - invoices not received	4,617	4,379
Total	**11,075**	**10,584**

Accounts payable and similar accounts relate for the most part to invoices issued by research and development organisations. This balance of 6,205 thousand euros as of 30 June 2024 includes disputed supplier invoices for an amount of 4,602 thousand euros. Furthermore, the variation between 2023 and 2024 includes a decrease linked to the cancellation of supplier debts dating back more than five years as of 30 June 2024, in the amount of 615 thousand euros.

Accounts payable and similar accounts are not discounted because none of the amounts are due in more than one year.

The item "invoices not yet received" is made up of debts linked to overhead service providers (€60K) and to organisations and service providers involved in research operations (€4,319K).

NOTE 19: TURNOVER

The Company's turnover from the commercial operation of masitinib in veterinary medicine amounted to 560 thousand euros.

NOTE 20: PUBLIC SUBSIDIES AND FUNDING

The Company receives funds from the French State and local authorities in several forms:

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

Note 20.1: Conditional subsidies and funding

Conditional advances are listed in note 3.11.

Note 20.2: Operating subsidies

Since its creation, due to its innovative nature, the Company has received a certain number of grants or subsidies from the State or public authorities to finance its operations or specific recruitment.

The company has not received any grants or subsidies in the last two financial years.

These subsidies are recorded as a deduction from research and development expenditure.

Note 20.3: Research tax credit

The Company benefits from the provisions of the General Tax Code pertaining to the research tax credit. The research tax credit is deducted from eligible research expenditure during the year to which the expenditure relates.

The following table presents the changes in the research tax credit recorded in the income statement:

(in thousands of euros)	**30.06.2023**	**30.06.2024**
Research Tax Credit 2023	2,073	
Research Tax Credit 2024		1,009
Total	**2,073**	**1,009**

NOTE 21: PERSONNEL COSTS

Note 21.1: Workforce

On 30 June 2024, the Group had 40 employees compared to 53 people as of 31 December 2023 and 89 employees on 30 June 2023. The average workforce for the first half of 2024 is 49 people over the period.

The breakdown of the workforce is as follows:

(in thousands of euros)	**30.06.2023**	**30.06.2024**
Sales Department	3	1
Drug Discovery and Clinical Department	78	39
Executive & Management Department	8	5
Total	**89**	**45**

Note 21.2: Personnel costs

The personnel costs recorded in the income statement include the following items:

(in thousands of euros)	**30.06.2023**	**30.06.2024**
Wages and salaries	3,551	2,180
Social contributions	1,243	922
Share-based payments	543	67
Total	**5,336**	**3,168**

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

(in thousands of euros)	**30.06.2023**	**30.06.2024**
Marketing expenses	86	129
Administrative costs	749	561
Research and development costs	4,502	2,479
Total	**5,336**	**3,168**

The Company introduced a profit-sharing agreement in December 2008 which has not yet resulted in any payments to employees due to the existence of a tax deficit.

NOTE 22: SHARE-BASED PAYMENTS

The details of the share payments are as follows:

(in thousands of euros)	**30.06.2023**	**30.06.2024**
Stock option plans	8	4
BSPCE Plans	478	0
AGAP plan	57	62
Total	**543**	**66**

Note 22.1: Share subscription option plans

Changes to the number of valid options is shown below:

(in number of options, with division of the nominal value by 1000)	**31.12.2023**	**30.06.2024**
Options outstanding at the beginning of the fiscal year	905,095	**885,320**
Options assigned	105,900	0
Options exercised	0	0
Cancelled and/or expired options	-125,675	-3,930
Options outstanding at the end of the fiscal year	**885,320**	**881,390**

The following table shows the main characteristics of the plans in progress at the closing date.

Date of issue by the AGM	Date of allocation by the Board of Directors	Security	No of shares per security	Exercise price	Exercise start date	Expiry date	Options assigned	Options exercised	Options lapsed	Exercisable options
31/12/2009	18/03/2010	SO10-A	1	15.61	18/03/2014	31/12/2027	290,000		-174,000	116,000
18/06/2013	14/05/2014	SO-6A	1	11.96	14/05/2018	13/05/2024	116,335	-720	-87,520	28,095
	29/08/2014	SO-6B	1	10.03	29/08/2018	28/08/2024	10,875		-10,000	875
	24/04/2015	SO-6C	1	15.8	24/04/2019	23/04/2025	79,940		-56,030	23,910
	06/10/2015	SO-6D	1	13.01	06/10/2019	05/10/2025	15,550		-6,550	9,000
	28/04/2016	SO-6E	1	17.29	28/04/2020	27/04/2026	110,640		-79,630	31,010
28/06/2016	30/04/2018	SO-7A	1	12.65	30/04/2022	29/04/2028	53,000		-26,000	27,000
29/06/2018	06/12/2018	SO-9A	1	12	06/12/2022	06/12/2028	25,120		-13,400	11,720
	20/05/2019	SO2019-A	1	12	31/07/2019	31/12/2024	274,000			274,000
28/06/2019	10/07/2019	SO2019-B	1	12	31/07/2019	31/12/2024	59,000			59,000
	17 February 2020	SO2020-A	1	12.65	17/02/2024	17/02/2030	65,000		-28,000	37,000
31/08/2020	01/09/2020	SO2020-B	1	12.65	01/09/2024	30/08/2030	143,650		-61,270	82,380
30/06/2021	28/09/2021	SO2021-A	1	13	28/09/2025	27/09/2031	138,000		-65,500	72,500
	28/04/2022	SO-2022A	1	12.65	28/04/2026	27/04/2032	5,000			5,000
30/06/2023	19/07/2023	SO-2023A	1	5.0	19/07/2027	18/07/2033	5,000			5,000
	28/09/2023	SO-2023B	1	3.0	28/09/2027	27/09/2033	70,900		-2,000	69,800
	28/09/2023	SO-2023B2	1	3.0	28/09/2025	27/09/2033	6,000			6,000
	28/09/2023	SO-2023B2	1	3.0	28/09/2027	27/09/2033	6,000			6,000
	28/09/2023	SO-2023B2	1	3.0	28/09/2023	27/09/2033	6,000			6,000
	28/09/2023	SO-2023B2	1	3.0	28/09/2024	27/09/2033	6,000			6,000
	28/09/2023	SO-2023B2	1	3.0	28/09/2026	27/09/2033	6,000			6,000
Total							**1,492,010**	**-720**	**-609,900**	**881,390**

Stock subscription or purchase options are only subject to presence conditions, with the exception of SO2019-A and SO2019-B, the exercise conditions of which are as follows:

- the exercise of 137,000 SO2019A will be conditional on the registration by the EMA, conditionally or not, of masitinib for the treatment of amyotrophic lateral sclerosis based on the single pivotal study AB10015 by 31 December 2024 at the latest;
- the exercise of 137,000 SO2019A will be conditional on the registration by the FDA, conditionally or not, of masitinib for the treatment of amyotrophic lateral sclerosis based on the single pivotal study AB10015 by 31 December 2024 at the latest;
- the exercise of 29,500 SO2019B will be conditional on the registration by the EMA, conditionally or not, of masitinib for the treatment of amyotrophic lateral sclerosis based on the single pivotal study AB10015 by 31 December 2024 at the latest; and
- the exercise of 29,500 SO2019B will be conditional on the registration by the FDA, conditionally or not, of masitinib for the treatment of amyotrophic lateral sclerosis based on the single pivotal study AB10015 by 31 December 2024 at the latest;

The options, for which the valuation has an impact on the 2024 or 2023 accounts, are listed below:

Security	Options assigned	Exercise start date	Expiry date	Exercise price	Value of the underlying	Volatility	Risk-free rate	Average duration (in D)	Fair value per option	Turnover rate
SO2019-A	274,000	31/07/2019	31/12/2024	12.00	5.17	50%	N/A	2,555	€0.40	N/A
SO2019-B	59,000	31/07/2019	31/12/2024	12.00	5.17	50%	N/A	2,555	€0.40	N/A
SO-6D	15,550	06/10/2019	05/10/2025	13.01	12.09	35%	0.03%	2,555	€4.07	34%
SO-6E	110,640	28/04/2020	27/04/2026	17.29	19.21	35%	-0.24%	2,555	€7.44	38%
SO-7A	53,000	30/04/2022	29/04/2028	12.65	4.92	60%	-0.12%	2,555	€1.82	46%
SO-9A	25,120	06/12/2022	06/12/2028	12.00	3.73	60%	-0.27%	2,555	€1.20	46%
SO2020-A	65,000	17/02/2024	17/02/2030	12.65	8.22	50%	-0.31%	2,555	€3.13	46%

Security	Options assigned	Exercise start date	Expiry date	Exercise price	Value of the underlying	Volatility	Risk-free rate	Average duration (in D)	Fair value per option	Turnover rate
SO2020-B	143,650	01/09/2024	30/08/2030	12.65	8.79	50%	0.39%	2,555	€3.60	47%
SO2021-A	138,000	28/09/2025	27/09/2031	13.00	13.00	50%	-0.18%	2,555	€6.39	45%
SO-2022A	5,000	28/04/2026	27/04/2032	12.65	10.50	50%	1.03%	2,555	€4.89	39%
SO-2023A	5,000	19/07/2027	18/07/2033	5.00	4.07	50%	2.72%	2,555	€2.00	31%
SO-2023B	70,900	28/09/2027	27/09/2033	3.00	2.23	50%	3.29%	2,555	€1.07	31%
SO-2023B2	6,000	28/09/2023	27/09/2033	3.00	2.23	50%	3.29%	1,460	€0.75	31%
SO-2023B2	6,000	28/09/2024	27/09/2033	3.00	2.23	50%	3.29%	1,460	€0.75	31%
SO-2023B2	6,000	28/09/2025	27/09/2033	3.00	2.23	50%	3.29%	1,460	€0.75	31%
SO-2023B2	6,000	28/09/2026	27/09/2033	3.00	2.23	50%	3.29%	1,460	€0.75	31%
SO-2023B2	6,000	28/09/2027	27/09/2033	3.00	2.23	50%	3.29%	1,460	€0.75	31%

The amount of the expense relating to these options and recorded as of 30 June 2024 and for 30 June 2023 is as follows:

Security	Initial plan valuation	Accounted expense (€K)	
		30.06.2023	30.06.2024
SO2019-A	110.2	4.0	0.0
SO2019-B	23.7	1.0	0.0
SO-7A	1.3	0.0	0.0
SO-9A	0.4	0.0	0.0
SO2020-A	2.7	0.3	0.1
SO2020-B	6.4	0.8	0.8
SO2021-A	13.0	1.6	1.6
SO-2022A	0.8	0.1	0.1
SO-2023A	0.7		0.1
SO-2023B	7.7		1.0
SO-2023B2	5		0.6

Note 22.2: Plans for subscription warrants for business creator shares

Changes to the number of valid BCE is shown below:

(in number of BCE, with division of the nominal value by 1000)	31.12.2023	30.06.2024
BCE outstanding at the beginning of the fiscal year	3,192,780	3,192,780
BCE granted	0	0
BCE exercised	0	0
BCE cancelled	0	0
BCE expired	0	0
BCE outstanding at the end of the fiscal year	**3,192,780**	**3,192,780**

The following table shows the main characteristics of the plans in progress:

Date of issue by the AGM	Date of allocation by the Board of Directors	Security	No of shares per security	Exercise price	Exercise start date	Expiry date	BSPCE granted	BSPCE exercised	Expired BSPCE	Exercisable BSPCE
21/12/2007	17/06/2008	BCE2007-A	1,000	7,680	17/06/2008	31/12/2027	1,191	-114		1,077
21/12/2007	16/12/2008	BCE2007-B	1,000	7,680	16/12/2008	31/12/2027	379	-82		297
26/12/2008	13/01/2009	BCE2008-A	1,000	7,680	13/01/2009	31/12/2027	86			86
26/12/2008	13/01/2009	BCE2008-A	1,000	7,680	19/11/2009	31/12/2027	235			235
26/12/2008	19/11/2009	BCE2008-C	1,000	7,680	19/11/2009	31/12/2027	62			62
26/12/2008	19/11/2009	BCE2008-C	1,000	7,680	26/02/2013	31/12/2027	123			123
26/12/2008	14/12/2010	BCE2008-D	1,000	12,280	14/12/2010	31/12/2027	15		-5	10
26/12/2008	26/02/2013	BCE2008-B	1,000	7,680	26/02/2013	31/12/2027	330		-110	220

Date of issue by the AGM	Date of allocation by the Board of Directors	Security	No of shares per security	Exercise price	Exercise start date	Expiry date	BSPCE granted	BSPCE exercised	Expired BSPCE	Exercisable BSPCE
31/12/2009	03/02/2010	BCE2010-A	1	12.28	03/02/2010	31/12/2027	72,588			72,588
30/03/2012	30/08/2012	BCE2012	1	12.5	30/08/2012	31/12/2027	3,158,636		-81,108	3,077,528
30/03/2012	22/04/2013	BCE2013	1	18.74	22/04/2013	31/12/2027	40,554			40,554
Total							**3,274,199**	**-196**	**-81,223**	**3,192,780**

The exercise conditions of the BCE2007, BCE2008, and the BCE2010 have been met.

The conditions for exercising BCE2012 and BCE2013 were defined in resolutions no 17 of the GM of 30 March 2012, no 3 and no 4 of the GM of 15 December 2017, and no 37 of the General Meeting of 30 June 2023.

The exercise period of the BCE 12-13 will be automatically extended by five years (i.e. until 31 December 2032) should one of AB Science's molecules be granted marketing authorisation (conditionally or otherwise) before 31 December 2027.

Distribution of exercisable BSPCE by beneficiary	Indication 1	Indication 2	Indication 3	Total
a) Initiation of confirmatory clinical study	5%	5%	2.5%	12.5%
b) Obtaining conditional registration or temporary cohort use authorisation (ceiling including, where appropriate, the securities made exercisable under point a) above)	10%	10%	5%	25%
c) Marketing authorisation (including, where applicable, securities made exercisable under points a) and b) above)	20%	20%	10%	50%

Distribution of maximum exercisable BSPCE by beneficiary	Greater than €100 million	Greater than €250 million	Greater than €500 million	Greater than €1,000 million	Total
Cumulative licensing revenues and/or cumulative net sales, direct or indirect, of AB Science molecules	20%	10%	10%	10%	50.0%

The beneficiaries of the BCE are employees of AB Science The BCEs are associated with the performance conditions described below.

Plans granted after 7 November 2002 and not yet vested on 1 January 2007 have been valued as follows:

Security	Options assigned	Exercise start date	Expiry date	Exercise price	Value of the underlying	Volatility	Average discount rate	Average duration (in D)	Fair value per option	Turnover rate
BCE 2007A	1,191	17/06/2008	31/12/2027	7,680	4,992	32.27%	4.7%	1,296	€756.28	0%
BCE 2007B	379	16/12/2008	31/12/2027	7,680	4,992	32.27%	2.1%	1,080	€582.80	0%
BCE 2008A	86	13/01/2009	31/12/2027	7,680	4,992	32.27%	2.5%	2,052	€596.20	0%
BCE 2008A	235	19/11/2009	31/12/2027	7,680	4,992	32.27%	2.5%	2,052	€596.20	0%
BCE 2008B	330	26/02/2013	31/12/2027	7,680	4,992	32.27%	2.5%	1,188	€596.86	0%
BCE 2008C	62	19/11/2009	31/12/2027	7,680	4,992	32.27%	2.5%	1,116	€542.56	0%
BCE 2008C	123	26/02/2013	31/12/2027	7,680	4,992	32.27%	2.5%	1,116	€542.56	0%
BCE 2008D	15	14/12/2010	31/12/2027	12,280	9,824	35%	2.5%	1,080	€1,735.22	0%
BCE2010-A	72,588	03/02/2010	31/12/2027	12,280	9.82	35%	2.5%	1,080	€1.69	0%
BCE2012	3,158, 636	30/08/2012	31/12/2027	12.5	10.44	30%	0.5%	1,980	€0.06	0%
BCE2013	40,554	22/04/2013	31/12/2027	18.74	19.00	30%	0.5%	1,980	€0.06	0%

The amount of the expense relating to these options and recorded as of 30 June 2024 and for 30 June 2023 is as follows:

Security	Initial plan valuation	Accounted expense (€K)	
		30.06.2023	30.06.2024
BCE 2007A	900.7	0	0
BCE 2007B	220.9	0	0
BCE 2008A	191.4	0	0
BCE 2008B	105.4	0	0
BCE 2008C	95.2	0	0
BCE 2008D	17.4	0	0
BCE 2010-A	122.8	0	0

BCE2012	661.3	9.5	0
BCE2013	8.5	0.1	0

Note 22.3: Free preference share plans

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

Date of issue by the AGM	Date of allocation by the Board of Directors	Security	No of shares per security	Exercise start date	Expiry date	AGAP granted	AGAP expired	Exercisable AGAP
09/12/2015	16/12/2015	AGAP - B1	100	01/01/2025	01/01/2029	33,999	-248	33,751
09/12/2015	16/12/2015	AGAP - B2	100	01/01/2025	01/01/2029	205	-25	180
28/06/2017	28/12/2017	AGAP - B3	100	01/01/2025	01/01/2029	7,550	-23	7,527
31/08/2020	01/09/2020	AGAP - B4	100	01/01/2025	01/01/2029	3,687	-11	3,676
30/06/2023	28/09/2023	AGAP – B'	100	Upon fulfilment of the conditions	28/09/2033	12,560	0	0
Total						**58,001**	**-307**	**45,134**

AGAP [(1)]

Resolution 20 of the General Meeting of 15 December 2017.

The objectives must be achieved before 31 December 2024.

Operational conditions for the AGAP issued before 01/09/2020

(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%.

Additional operational conditions for the AGAP issued as of 01/09/2020 (B4), conversion under the following dual condition:

(d) If the objectives referred to in (a), (b), and (c) above are met, and

(e) In case of success of phase 1 of AB8939

Financial terms and conditions

(f) The conversion ratio of the free preference shares into ordinary shares will be determined by the AB Science share price:

The term "purchase price" corresponds to the average closing price of the AB Science share 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 share) and means

- €11.24 for the AGAP B1(4),
- €8.62 for the AGAP B2,
- €3.64 for the AGAP B3,
- €12.90 for the AGAP B4

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

(A) 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 share can be converted even if the conditions related to the clinical studies are fulfilled.

(B) 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 ordinary shares if the conditions related to the clinical studies are fulfilled.

(C) 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:

The free preference shares will only be effectively allocated after a period of one year from the date of the Allocation decision (the "Vesting Period").

The date of the Final Award marks the start of the retention period (the "Retention Period"), a period which ends on 31 December 2024.

At the end of the Retention Period, i.e. on 31 December 2024 (the "Retention Period Expiry Date"), the free preference shares will be convertible into ordinary shares of the Company during a conversion period of four years and one month from the Retention Period Expiry Date (the "Conversion Period").

In the event of a public takeover bid and/or exchange offer, the Board of Directors may, as from the date on which the Autorité des marchés financiers [French Financial Markets Authority] gives its declaration of compliance on the public takeover bid and/or exchange offer and without waiting for the Expiry Date of the Retention Period, (i) decide on the immediate convertibility of all B Shares and (ii) determine the number of A Shares to which the B Shares will give right depending on the degree of realisation of the price condition.

AGAB B'

Resolution 21 of the GM of 30.06.2023

The B' Shares are definitively acquired and become convertible at the end of an acquisition period of one year from their allocation by the Board of Directors. The B' Shares can only be converted subject to the fulfilment of the convertibility condition during a period of eight years starting from the day following the end of the acquisition period.

Conditions of convertibility: One of the two following conditions

(a) success by AB Science of a phase 2 study relating to the molecule AB8939;

(b) (i) success by AB Science of a phase 1 study relating to the AB8939 molecule and (ii) conclusion by AB Science of a licence agreement or success by AB Science of a phase 3 study on one of the following five indications: amyotrophic lateral sclerosis, multiple sclerosis, Alzheimer's disease, mast cell disease, prostate cancer.

Financial conditions

(a) The conversion ratio of the free preference shares into ordinary shares will be determined by the AB Science share price:

The term "allocation price" corresponds to the closing stock market price of the AB Science share on the allocation date and means €2.23.

The term "maximum price" means the highest share price of the Company between the grant date and the last day of the Conversion period.

(A) If the maximum 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 share can be converted even if the conditions related to the clinical studies are fulfilled.

(B) If the maximum price is strictly equal or higher than the allocation price increased by 15 euros, the conversion ratio will be equal to 100%, which means that each free preference share can be converted into 100 ordinary shares if the conditions related to the clinical studies are fulfilled.

(C) If the maximum price is (i) higher than the purchase price increased by 5 euros and (ii) the value is lower than the allocation price increased by 15 euros, the conversion ratio will be equal to: [(final price – purchase price - 5) / 10] × 100:

The free preference shares will only be effectively allocated after a period of one year from the date of the Allocation decision (the "Vesting Period").

In the event of a public takeover bid and/or exchange offer, the Board of Directors may, as from the date on which the Autorité des marchés financiers [French Financial Markets Authority] gives its declaration of compliance on the public takeover bid and/or exchange offer and without waiting for the Expiry Date of the Retention Period, (i) decide on the immediate convertibility of all B' Shares and (ii) determine the number of A Shares to which the B' Shares will give right depending on the degree of realisation of the price condition.

It should be noted that this free allocation can only be carried out under the strict condition precedent of the approval, at the next general meeting of AB Science, of a resolution aimed at inserting in the terms and conditions of the B' Shares a mechanism for converting the B' Shares into ordinary shares of up to 1:100 depending on the AB Science share price trend (comparable to that already existing with regard to the B' Shares).

The beneficiaries of the AGAP are employees of AB Science. The conversion conditions for free shares are detailed in note 20.3.

The AGAP for which the valuation has an impact on the 30 June 2024 and 30 June 2023 accounts, are presented below:

Security	Initial plan valuation	Accounted expense (€K)	
		30.06.2023	30.06.2024
AGAP - B1 and B2	744.5	41.9	41.9
AGAP - B3	207.6	14.8	14.7
AGAP - B4	4.0	0.5	0.5
AGAP – B'	19.2	0	5.5

Note 22.4: Plans allocated to company management

Instrument	Meeting date	Grant date	Expiry date	Exercise conditions remaining to be met	Unit exercise price (€)	No of shares per instrument	Granted securities not exercised	Accounted expense (€K)	
							30.06.2024	30.06.2023	30.06.2024
MOUSSY, Alain									
AGAP - B1	09/12/2015	16/12/2015	01/01/2029	Yes	0.00	100	24,734	30.5	30.5
AGAP - B3	28/06/2017	28/12/2017	01/01/2029	Yes	0.00	100	5,589	11.0	10.9
AGAP - B4	31/08/2020	01/09/2020	01/01/2029	Yes	0.00	100	2,706	0.3	0.3
AGAP – B'	30/06/2023	28/09/2023	28/09/2033	Yes	0.00	100	8,708	0.0	3.7
BCE2007-A	21/12/2007	17/06/2008	31/12/2027	No	7,680.00	1,000	906	0.0	0.0
BCE2007-B	21/12/2007	16/12/2008	31/12/2027	No	7,680.00	1,000	288	0.0	0.0
BCE2008-A	26/12/2008	13/01/2009	31/12/2027	No	7,680.00	1,000	235	0.0	0.0
BCE2008-B	26/12/2008	26/02/2013	31/12/2027	No	7,680.00	1,000	147	0.0	0.0
BCE2008-C	26/12/2008	19/11/2009	31/12/2027	No	7,680.00	1,000	123	0.0	0.0
BCE2010-A	31/12/2009	03/02/2010	31/12/2027	No	12.28	1	28,784	0.0	0.0
BCE2012	30/03/2012	30/08/2012	31/12/2027	Yes	12.50	1	1,902,792	0.0	0.0
BCE2013	30/03/2012	22/04/2013	31/12/2027	Yes	18.74	1	25,580	0.0	0.0
BSA2010-BIS	28/06/2016	19/12/2016	31/12/2027	No	15.61	1	332,000	0.0	0.0
GICQUEL, Denis									
AGAP - B1	09/12/2015	16/12/2015	01/01/2029	Yes	0.00	100	34	<1	<1
AGAP - B2	09/12/2015	16/12/2015	01/01/2029	Yes	0.00	100	21	<1	<1
AGAP - B3	28/06/2017	28/12/2017	01/01/2029	Yes	0.00	100	1	<1	<1
AGAP - B4	31/08/2020	01/09/2020	01/01/2029	Yes	0.00	100	1	<1	<1
AGAP – B'	30/06/2023	28/09/2023	28/09/2033	Yes	0.00	100	10	<1	<1
SO2020-B	31/08/2020	01/09/2020	30/08/2030	No	12.65	1	4,000	<1	<1
SO-6C	18/06/2013	24/04/2015	23/04/2025	No	15.80	1	2,000	<1	<1
SO-6E	18/06/2013	28/04/2016	27/04/2026	No	17.29	1	3,340	<1	<1
SO-7A	28/06/2016	30/04/2018	29/04/2028	No	12.65	1	4,000	<1	<1

NOTE 23: FINANCIAL INCOME AND EXPENSES

Financial income / (expenses) can be analysed as follows:

(in thousands of euros)	30.06.2023	30.06.2024
Financial income including:		
Income from financial assets and cash investments	*99*	*38*
Currency gains	*158*	*0*
Catch-up effect on conditional advances	*0*	*0*
Other financial income	*784*	*274*
Financial costs including:		

Currency losses	*18*	*21*
Effects of discounting conditional advances	*652*	*546*
Interest on loans and debts	*947*	*579*
Other financial costs	*994*	*55*
Financial income	**(1.569)**	**(887)**

The financial income corresponds to a loss of 887 thousand euros for the first half of 2024, compared to a loss of 1,569 thousand euros for the first half of 2023.

As of 30 June 2024, other financial income, which amounted to 274 thousand euros, mainly corresponds to the following operations:

- to late payment interest collected with the CIR 2020 – 2021 – 2022 (83 thousand euros)
- to the change in the fair value of the BSAs linked to the EIB loan (140 thousand euros)
- to the change in the fair value of the ADPEs (49 thousand euros).

Other financial costs (55 thousand euros) are mainly related

- to the reprocessing of rents in IFRS 16. (9 thousand euros)
- to the change in the fair value of the BSAs linked to the EIB loan: loss of 45 thousand euros

These effects are without impact on cash.

NOTE 24: TAX ON PROFITS

Note 24.1: Deferred tax assets and liabilities

The Company has been generating tax losses for several years and is therefore not subject to current tax. Under current French regulations, tax losses can be carried forward indefinitely. The amount of the cumulative tax deficit as of 31 December 2023 amounted to 355,933 thousand euros. As of this date, no deficit has been activated.

The Company does not recognise deferred tax assets for the following two reasons:

- the Company has begun to market its molecule in animal medicine; nevertheless, as this is a new activity and the creation of a new market, (absence of comparables) and given the significant amounts of research and development investment envisaged for the future, the Company is not in a position to determine with enough reliability when this activity will enable it to eliminate the cumulative deficit.
- the Company plans to market its molecule in human medicine and in such an eventuality, it is likely that the tax loss can be absorbed. However, the Company's policy for recognising deferred tax debits is to consider probabilities of success only when they are sufficiently certain, i.e. once the results of the Phase 3 studies have been obtained.

Note 24.2: Contingent liabilities

For the CIR2019 (reimbursed in full in 2020), the Company received in December 2023 from the Tax Administration a proposal for rectification for an amount of 1,086 thousand euros (excluding late payment interest), following an expert appraisal by the MESR. The Company confirms that the sum of 117 thousand euros is not eligible and has set aside this amount, and the Company disputes this proposed correction for the difference, i.e. 969 thousand euros. Any definitive rectification or conviction of the Company on the CIR2019 could have an adverse impact on the Company's cash flow.

NOTE 25: EARNINGS PER SHARE

Note 25.1: Basic earnings per share

Basic earnings per share are calculated based on the earnings attributable to holders of shares and a weighted average number of shares outstanding during the fiscal year.

	30.06.2023	**30.06.2024**
Net result (in thousands of euros)	(10,411)	(4,469)
Weighted average number of shares outstanding during the year	47,576,913	51,686,562
Earnings per share	(0.22)	(0.09)

Note 25.2: Diluted earnings per share

Diluted earnings per share are calculated based on the earnings attributable to holders of shares and a weighted average number of shares outstanding, adjusted for the effects of all potential dilutive shares.

Instruments giving rights to capital on a deferred basis (BSA, BEA, SO, BSPCE or AGAP) are considered to be anti-dilutive as they lead to a decrease in the loss per share. Thus, diluted earnings per share are identical to basic earnings per share.

As of 30 June 2024, the number of shares likely to be issued if all the financial instruments were exercised amounts to 18,735,281 shares, detailed as follows:

Potential dilution	Shares that might be issued as of 30.06.2024	Total shares that might be issued (excluding vesting conditions)
Options whose exercise price is lower than the market price and whose exercise conditions have been met	4,500	417,083
Options whose exercise price is higher than the market price and whose exercise conditions have been met	4,667,406	7,699,602
Options whose exercise price is lower the market price and whose exercise conditions have not been met	20,000	5,367,683
Options whose exercise price is higher than the market price and whose exercise conditions have not been met	5,671,799	5,671,799
Total shares that might be issued	10,363,705	19,156,167

The weighted average number of shares outstanding over the financial year thus stands at 70,842,729 shares (51,686,562 + 19,156,167).

As the earnings per share are negative, the diluted earnings are equal to the earnings per share.

NOTE 26: RELATED PARTIES

Operations with top executives:

Remuneration of the company's main executives and corporate directors

Under his employment contract, Mr Alain MOUSSY, Chairman and Chief Executive Officer, benefits from remuneration approved by the Board of Directors. He also benefited from the allocation of BSPCEs and AGAPs, detailed below.

Instrument	Meeting date	Grant date	Expiry date	Exercise conditions remaining to be met	Unit exercise price (€)	No of shares per instrument	Granted securities not exercised
AGAP - B1	09/12/2015	16/12/2015	01/01/2029	Yes	0.00	100	24,734
AGAP - B3	28/06/2017	28/12/2017	01/01/2029	Yes	0.00	100	5,589
AGAP - B4	31/08/2020	01/09/2020	01/01/2029	Yes	0.00	100	2,706
AGAP – B'	30/06/2023	28/09/2023	28/09/2032	Yes	0.00	100	8,708
BCE2007-A	21/12/2007	17/06/2008	31/12/2027	No	7,680.00	1,000	906
BCE2007-B	21/12/2007	16/12/2008	31/12/2027	No	7,680.00	1,000	288
BCE2008-A	26/12/2008	13/01/2009	31/12/2027	No	7,680.00	1,000	235
BCE2008-B	26/12/2008	26/02/2013	31/12/2027	No	7,680.00	1,000	147
BCE2008-C	26/12/2008	19/11/2009	31/12/2027	No	7,680.00	1,000	123
BCE2010-A	31/12/2009	03/02/2010	31/12/2027	No	12.28	1	28,784
BCE2012	30/03/2012	30/08/2012	31/12/2027	Yes	12.50	1	1,902,792
BCE2013	30/03/2012	22/04/2013	31/12/2027	Yes	18.74	1	25,580
BSA2010-BIS	28/06/2016	19/12/2016	31/12/2027	No	15.61	1	332,000

Furthermore, Mr Alain MOUSSY had 332,000 BSAs allocated to him in 2016 and subscribed in January 2017, 1,617,614 BSA allocated to him in 2014 and subscribed in 2015, and 1,365,230 BSA allocated in 2023 and subscribed in March 2024.

The members of the Board of Directors other than the Chairman receive remuneration in the form of attendance fees and/or BSA, at the choice of the director.

The following remuneration paid to the Chairman and Chief Executive Officer has been recorded as an expense in the period presented.

(in thousands of euros)	**30.06.2023**	**30.06.2024**
Short-term benefits	325	310
Share-based payments	337	45
Total	**663**	**355**

Transactions with key managers and directors

The regulated agreements within the meaning of Article L. 225-38 of the French Commercial Code which were concluded during previous financial years and whose execution continued during (and beyond) the first half of 2024 are as follows:

- Employment contract for Mr Alain Moussy, Chairman and Chief Executive Officer;
- agreement for the provision of premises by Mr Alain Moussy for the benefit of the Company;
- promise of sale between the Company and Mr Alain Moussy under the terms of which Mr Alain Moussy will undertake to transfer to the Company, for a symbolic euro, all of his D3 Shares if AB Science has not obtained ADPD2 marketing authorisation before the Expiry Date (as these terms are defined in the articles of association), or in the event of a bad leaver.

Two new regulated agreements were concluded by AB Science subsequently during the first half of 2024. The Board of Directors on 28 March 2024 approved the conclusion by AB Science, with the company Ear Disorder Ventures (a company chaired by Alain Moussy and owned by the company AMY SAS and Christian Auclair, co-founder of AB Science), (i) of a service provision agreement and (ii) of an agreement relating to the granting, by AB Science, of a so-called "ear disorder" licence. These agreements were actually signed on 7 April 2024 and approved at the general meeting of shareholders on 26 June 2024.

The long-term (15 years) licence agreement covers intellectual property elements for early stage developments in the treatment of inner ear pathologies. It relates in particular to patent no EP 20 306 455.5 entitled "*Pharmaceutical composition for treatment of inner ear or neurological disorders through local administration in the tympanic area*". AB Science will be remunerated by royalties under this contract, in accordance with market practice (3% in the case of direct exploitation and 7% in the case of indirect exploitation).

The purpose of the service provision agreement is to define the terms (in particular financial) under which AB Science will provide administrative, research and development and regulatory services for Ear Disorder Ventures. The agreement is concluded for an indefinite period (with termination by either party with one month's notice). The services provided by AB Science will be billed at cost with a margin of 15%.

Finally, at its meeting of 28 September 2023, the Board of Directors of AB Science implemented the thirty-fifth resolution of the combined general meeting of shareholders of 30 June 2023 and allocated 1,600,000 share subscription warrants for the benefit of the co-founding shareholders of the Company (the "BSAF2023"). Mr Alain Moussy subscribed to 1,365,230 BSAF2023 in March 2024. These BSAs are exercisable between 28 September 2025 and 28 September 2033, only if the Company has entered into a licensing agreement or has obtained marketing authorisation in a minimum of two indications and with at least one of its molecules. The exercise of each BSAF2023 gives the right to subscribe to one ordinary share of the Company at an exercise price of 9.0 euros per BSAF2023. The 1,600,000 BSAF2023 were issued at their fair value at a total price of 41,418 euros. The valuation of these 1,600,000 BSAF2023 was 4.3 thousand euros as of 30 June 2024.

NOTE 27: OFF-BALANCE SHEET COMMITMENTS

There are no off-balance sheet commitments as of 30 June 2024

(in thousands of euros)	**31.12.2023**	**30.06.2024**
Commitments given:	40	0
Guarantee given	*40*	*0*
Commitments received:	54,000	0
Commitments with share subscription of minority shareholders (1)	*54,500*	*0*

(1) An agreement with historical shareholders to implement a joint value creation strategy for masitinib was signed in June 2021. It targeted an initial firm subscription commitment of 25 million euros, increased a first time by 25 million euros between 1 July 2022 and 30 June 2023 and then increased a second time by 25 million euros between 1 July 2023 and 30 June 2024 (these additional 50 million euros are subject to an absence of significantly unfavourable event clause). The historical shareholders honoured this subscription commitment to the amount of 20.5 million euros, the subscription of the balance having been requested by AB Science but not honoured by the historical shareholders as of 30 June 2024. AB

Science is continuing these negotiations with its historical shareholders, with a view to ensuring a sustainable source of financing for AB Science and preserving its interests.

2.2 STATEMENT BY THE PERSON RESPONSIBLE FOR THIS HALF-YEARLY FINANCIAL REPORT

I certify, to the best of my knowledge, that the condensed accounts for the past six months have been prepared in accordance with the applicable accounting standards and give a true and fair picture of the assets, financial position and income of the Company and of all the companies included in the consolidation, and that the attached six month business report presents a faithful picture of the important events that occurred during the first six months of the financial year, their impact on the accounts, the main related party transactions and that it describes the key risks and uncertainties for the remaining six months of the year.

Chairman and Chief Executive Officer
Alain Moussy

2.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

Period from 1 January to 30 June 2024

To the Shareholders,

By carrying out the task entrusted to us by the General Meeting and in application of Article L. 451-1-2 III of the Monetary and Financial Code, we have performed:

- a limited review of the condensed consolidated half-yearly financial statements of the company AB Science, relating to the period of 1 January to 30 June 2024, as attached to this report;
- checked the information given in the half-yearly activity report.

These condensed consolidated half-yearly financial statements were drawn up under the responsibility of the board of directors. It is our responsibility, based on our limited review, to express an opinion on these accounts.

1 Conclusion regarding the accounts

We conducted our limited review in accordance with professional standards applicable in France.

A limited review essentially consists of talking to the members of management responsible for accounting and financial aspects and implementing analytical procedures. This review is less extensive than that required for an audit carried out in accordance with the professional practice standards applicable in France. Consequently, the assurance that the accounts, taken as a whole, do not contain significant anomalies obtained within the framework of a limited review is a moderate assurance, lower than that obtained within the framework of an audit.

Based on our limited review, we have not identified any significant anomalies likely to call into question the compliance of the condensed consolidated half-yearly financial statements with IAS 34, the IFRS standard as adopted in the European Union relating to interim financial information.

Without calling into question the opinion expressed above, we draw your attention to notes 11 "Other current and non-current assets" and 24.2 "Contingent liabilities" of the notes to the consolidated financial statements which sets out the assessment of the recoverability of Research Tax Credit (RTC) receivables for the financial years 2020 to 2023 and the contingent liabilities linked to the tax credit for the financial year 2019.

2 Specific checks

We have also checked the information given in the half-yearly activity report commenting on the condensed consolidated half-yearly financial statements on which our limited review focused.

We have no comment to make on their truthfulness and consistency with the condensed consolidated financial statements.

Neuilly-sur-Seine and Paris, 11 October 2024

Grant Thornton	Audit and Conseil Union
French member of Grant Thornton International	Member of Kreston International
Virginie Palethorpe	Ali Smaili
Partner	Partner

AB SCIENCE S.A.

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