PRESS RELEASE

innate pharma

FIRST HALF OF 2017: DELIVERING KEY CLINICAL DATA AND STRENGTHENING THE PIPELINE

- ***Cash, cash equivalents and financial assets[1] for the Company amounted to €204.1m (million euros) as of June 30, 2017***
- ***Significant clinical progress within the period:***
  - ***Dose-escalation data of the ongoing Phase I trial evaluating IPH4102 showed a favorable safety profile and promising clinical activity***
  - ***Expansion of a Phase I/II trial evaluating lirilumab, conducted by Bristol-Myers Squibb, including a randomized cohort exploring Opdivo with or without lirilumab in squamous cell carcinoma of the head and neck***
- ***Clinical-stage pipeline further strengthened with the acquisition of IPH5401, a first-in-class anti-C5aR antibody, from Novo Nordisk A/S (closed in July 2017)***
- ***Innate Pharma continues to advance its balanced portfolio of innovative partnered and proprietary immuno-oncology programs in line with its strategy to become a fully-integrated biopharmaceutical company***

Marseille, France, September 18, 2017, 7:00 AM CEST

Innate Pharma SA (the "Company" - Euronext Paris: FR0010331421 – IPH) today reports its consolidated financial results for the first half of 2017. The summary of the condensed half-year consolidated financial statements is attached to this press release.

During the period, Innate Pharma has continued to make significant progress across its portfolio of first-in-class clinical antibodies designed to harness the innate immune system.

In June 2017, Innate Pharma presented results from the dose-escalation part of the Phase I trial evaluating **IPH4102** at the ICML[2]. The data reported suggest that IPH4102 is well tolerated and shows promising signs of clinical activity in elderly and heavily pretreated patients with advanced cutaneous T-cell lymphomas (CTCL), which is an orphan disease, mostly with Sézary syndrome, a subtype with high unmet medical need. Innate Pharma is currently working on the next steps of the clinical development plan for IPH4102 and will present updated data of the ongoing Phase I trial at the EORTC CLTF[3] meeting in London in October.

In March, the protocol of the ongoing Phase I/II study evaluating lirilumab, led by Bristol-Myers Squibb, was amended and expanded to include additional cohorts of Opdivo (nivolumab) plus **lirilumab** in solid tumors, including a cohort exploring Opdivo with or without lirilumab in squamous cell carcinoma of the head and neck (SCCHN) and initial testing of the triplet combination of Opdivo, Yervoy (ipilimumab) and lirilumab in solid tumors.

Finally, in June, Innate Pharma entered into an agreement with Novo Nordisk A/S granting the Company full worldwide exclusive rights to develop and commercialize a first-in-class clinical-stage anti-C5aR antibody, now called **IPH5401**. IPH5401 complements Innate Pharma's current clinical-stage immuno-oncology pipeline and reinforces the Company's position in the

[1] Including current and non-current financial assets
[2] International Conference on Malignant Lymphoma
[3] European Organisation for Research and Treatment of Cancer Cutaneous Lumphoma Task Force Meeting

field of tumor microenvironment beyond the adenosine pathway. Innate plans to start clinical trials with IPH5401 in oncology in 2018.

Mondher Mahjoubi, Chief Executive Officer of Innate Pharma, commented: *"We are continuing to leverage our deep scientific expertise in innate immunity to build a fully-integrated biopharmaceutical company with a growing portfolio of first-in-class programs. We have made great progress across key programs during the first half of 2017. The data presented for IPH4102 give us confidence to move this proprietary product into the next stage of clinical development. Moreover, I am proud that we could significantly strengthen our pipeline through the acquisition of IPH5401 from Novo Nordisk A/S and we look forward to advancing this first-in-class asset into the clinic in 2018."*

A conference call will be held today at 3:00pm (CEST)

Dial in numbers:

France and International: +33 (0)1 72 72 74 03 US only: +1 844 286 0643

PIN code: 20472515#

The slideshow of the presentation will be made available on the Company's website 30 minutes before the conference begins.

A replay will be available on Innate Pharma's website after the conference call.

Financial highlights of the first half of 2017:

The key elements of Innate Pharma's financial results for the first half of 2017 are as follows:

- Cash, cash equivalents and financial assets (current and non-current) amounting to €204.1m (million euros) as of June 30, 2017 (€230.7m as of December 31, 2016).
    - Financial liabilities amounted to €4.7m, including €3.5m of non-current liabilities (€5.3m as of December 31, 2016, including €4.1m of non-current liabilities).
- Revenue and other income amounting to €21.3m (€20.7m for the first half of 2016). This amount results from licensing revenue (€15.6m) and from research tax credit (€5.7m).
    - Revenue related to the licensing agreements mainly results from phasing of initial payment received by Innate Pharma in the context of the agreement signed in April 2015 with AstraZeneca/MedImmune.
- Operating expenses amounting to €39.5m (€23.6m for the first half of 2016), of which 80% are related to research and development.
    - The variance of the research and development costs (€31.6m compared to €20.3m for the first half of 2016) mainly results from higher subcontracting costs, which increased by €5.9m to €16.8m. This increase was mainly driven by the IPH4102 Phase I and other programs which are in IND-enabling studies.
- A net loss for the first half of 2017 amounting to €23.4m (€3.2m for the first half of 2016).

The table below summarizes the IFRS consolidated financial statements for the six-month period ended June 30, 2017, including 2016 comparative information.

In thousands of euros, except for data per share	June 30, 2017	June 30,2016
Revenue and other income	**21,274**	**20,685**
Research and development	(31,583)	(20,273)
General and administrative	(7,922)	(3,339)
Net Operating expenses	**(39,505)**	**(23,612)**
Operating income / (loss)	**(18,231)**	**(2,927)**
Financial income	1,216	1,835
Financial expenses	(6,344)	(2,080)
Net loss	**(23,359)**	**(3,171)**
Weighted average number of shares outstanding (in thousands)	53,955	53,853
Net loss per share	(0.43)	(0.06)

	June 30, 2017	December 31, 2016
Cash, cash equivalents and financial assets[4]	204,115	230,664
Total assets	246,384	281,577
Shareholders' equity	68,909	86,169
Total financial debt	4,661	5,327

Pipeline update:

Lirilumab (anti-KIR antibody), licensed to Bristol-Myers Squibb:

Lirilumab is a fully human monoclonal antibody that is designed to block the interaction between KIR2DL-1,-2,-3 inhibitory receptors and their ligands. Blocking these receptors facilitates activation of NK cells and potentially some subsets of T cells, ultimately leading to the destruction of tumor cells.

Lirilumab is being evaluated by Bristol-Myers Squibb in clinical trials in combination with other agents in a variety of tumor types.

- In January 2017, the Company announced that, as per the licensing agreement for lirilumab, Bristol-Myers Squibb paid Innate Pharma a US$15 million milestone payment for the continued exploration of lirilumab in combination with Opdivo. The milestone payment followed the presentation of encouraging preliminary activity results from a Phase I/II trial in a cohort of patients with SCCHN presented in November 2016 at the SITC[5] annual meeting.

[4] Current and non-current
[5] Society for Immunotherapy of Cancer

- In February 2017, the Company announced top-line results from the EffiKIR trial[6]. The study did not meet its primary efficacy endpoint of leukemia-free survival ("LFS"). There was no statistically significant difference between either lirilumab arms and the placebo arm on the LFS nor on other efficacy endpoints. The adverse events encountered with lirilumab were consistent with its previously reported safety profile. Data analyses are ongoing and the full trial data will be submitted to a future medical conference and for publication. However, these findings do not call into question the program development potential, in particular the use of lirilumab in combination with other immune checkpoint inhibitors.
- In March 2017, Innate Pharma announced that Bristol-Myers Squibb had amended the clinical trial protocol for its ongoing Phase I/II trial evaluating the safety and tolerability of lirilumab in combination with Opdivo in patients with advanced refractory solid tumors. Under the amended protocol, updated on clinicaltrials.gov, the study has expanded in scope to include additional cohorts of Opdivo plus lirilumab in solid tumors, including a randomized cohort exploring Opdivo with or without lirilumab in platinum refractory recurrent or metastatic SCCHN, and initial testing of the triplet combination of Opdivo, Yervoy and lirilumab in solid tumors.

Monalizumab (anti-NKG2A antibody), partnered with AstraZeneca/Medimmune:

Monalizumab is a first-in-class immune checkpoint inhibitor targeting NKG2A receptors expressed on tumor infiltrating cytotoxic CD8 T lymphocytes and NK cells.

This monoclonal antibody is currently being tested in an exploratory program of Phase I or I/II clinical trials in various cancer indications in monotherapy and combinations.

- Clinical and preclinical data were presented in April 2017, at the American Association for Cancer Research (AACR) 2017 Annual Meeting in Washington D.C., USA:
  - Safety data from the dose-escalation part of a Phase Ib/II study evaluating monalizumab in combination with cetuximab in patients with recurrent or metastatic squamous cell carcinoma of the head and neck: in this study, monalizumab plus cetuximab were well tolerated with no additional safety concerns compared to monalizumab or cetuximab alone.
  - Preclinical data showed NKG2A expression on tumor-infiltrating CD8+ T cells in patients with head and neck cancer as well as synergy between treatment with a HPV vaccine and NKG2A blockade in a mouse tumor model.
- Innate Pharma presented preclinical data for monalizumab, at the 3rd CRI-CIMT-EATI-AACR International Cancer Immunotherapy conference, on September 6, 2017, in Frankfurt, Germany.
  - Poster #A130 demonstrates that blocking both NKG2A/HLA-E and PD-1/PD-L1 pathways enhance anti-tumor efficacy of CD8+ T cells. The data show that the deletion of either NKG2A (Qa-1b) or PD-L1 significantly delays tumor growth, suggesting that both receptors are involved in the immune-escape of tumors. Combined PD-L1 and NKG2A blockade achieved a complete response of 82%, compared to 54% for anti-PD-L1 and 36% for anti-NKG2A alone. CD8+ tumor

[6] A randomized, double-blind, placebo-controlled Phase II trial testing the efficacy of lirilumab as a single agent maintenance treatment in elderly patients with acute myeloid leukemia in first complete remission.

infiltrated lymphocytes (TILs) expressing high levels of PD-1 co-expressed high levels of NKG2A, raising the possibility that NKG2A blockade may potentiate PD-1/PD-L1 blockers by directly enhancing CD8+ T cell-mediated killing of tumors.

IPH4102 (anti-KIR3DL2 antibody):

IPH4102 is a first-in-class cytotoxicity-inducing antibody currently being tested in a Phase I clinical trial for the treatment of cutaneous T-cell lymphomas ("CTCL"), in particular their aggressive forms, Sézary syndrome and transformed mycosis fungoides.

- In May 2017, Innate Pharma announced the completion of the dose-escalation part of the Phase I trial evaluating IPH4102. Full dose-escalation safety results, as well as updated clinical activity data were presented in June 2017, at the ICML in Lugano :
  - 25 patients, with a median age of 71 years old and a median number of four prior systemic treatments, were evaluable for safety (10 dose levels: 0.0001 to 10 mg/kg). The data from the trial indicate that IPH4102 was well tolerated with no dose-limiting toxicity. The maximum tolerated dose (MTD) was not reached. The majority of adverse events reported was typical for CTCL or reflected low grade infusion-related reactions.
  - As of May 10, 2017, 24 patients were evaluable for clinical activity. In this population, best global overall response rate (ORR) was 41.7% and disease control rate (DCR) was 91.7% across all dose levels. Best global ORR and DCR reached 47.4% and 89.5% respectively in patients with Sézary syndrome (SS, n=19). Among the 9 patients with SS who achieved clinical responses, one had a global complete response7. 5 complete responses were seen in blood and 2 in skin (resp. 26% and 11%). Median duration of response (DOR) was 8.2 months in all patients and not reached in patients with SS. Median progression free survival (PFS) was 9.0 months in all patients and 10.8 months in patients with SS (range from 0.9 to 17.2). Pruritus was significantly decreased in patients with clinical response.
  - Innate Pharma will present updated data from the ongoing Phase I trial at the EORTC CTLF meeting in London in October 2017.
- In June 2017, IPH4102 was granted orphan drug designation in the United States for the treatment of CTCL, a designation it already had in the European Union.

IPH5401 (anti-C5aR antibody):

IPH5401 is a first-in-class therapeutic antibody that specifically binds and blocks C5a receptors (C5aR) expressed on subsets of myeloid-derived suppressor cells (MDSC) and neutrophils. Part of the innate immune system, these types of cells promote tumor growth by secreting inflammatory and angiogenic factors, and they potently suppress anti-tumor T and NK cells, and hamper the activities of PD-1 checkpoint blockers. C5a, a factor in the complement cascade, is often overexpressed in tumors, where it attracts and activates MDSC and neutrophils in the tumor microenvironment.

[7] In CTCL, global clinical response assessment is a composite of response evaluation in all organs involved with tumor cells, such as skin, blood, lymph nodes and viscera (E. Olsen et al, JCO 2011).

- On June 2, 2017, the Company announced that it entered into an agreement with Novo Nordisk A/S granting Innate Pharma full worldwide exclusive rights to develop and commercialize a first-in-class clinical-stage anti-C5aR antibody (IPH5401). The terms of the transaction provide for a total upfront payment of €40.0m, of which €37.2m has been paid in new Innate Pharma shares (3,343,749) and €2.8m in cash. Novo Nordisk A/S will be eligible for €370.0m in development, regulatory and sales milestone payments. Novo Nordisk A/S will also be eligible for double digit royalties on net sales. Under the terms of the transaction, Innate Pharma acquired worldwide rights to anti-C5aR/IPH5401 in all indications from Novo Nordisk A/S. Innate Pharma issued a press release on July 13, following the acquisition of the Novo Nordisk A/S subsidiary owning the rights of anti-NKG2A. With the allocation of the newly issued shares in the Company, Novo Nordisk A/S's stake in the share capital of Innate Pharma increased from 10.3% to 15.5%.
    - Novo Nordisk A/S has conducted two Phase I trials with anti-C5aR in patients with rheumatoid arthritis, where a good safety profile was demonstrated. Innate Pharma plans to start clinical trials with IPH5401 in oncology in 2018.
- Innate Pharma presented preclinical data for IPH5401 at the 3rd CRI-CIMT-EATI-AACR International Cancer Immunotherapy conference, on September 8, 2017, in Frankfurt, Germany.
    - In poster#B184, the data demonstrate that IPH5401 selectively inhibits the activation of neutrophils. Moreover, the data show that the combined administration of anti-C5aR with anti-PD-1 reduced tumor growth. These data suggest that C5aR blockade may result in a more permissive environment for immune-mediated tumor killing and treatment with checkpoint inhibitors.

Corporate update:

Management and governance changes:

- In June 2017, the Company announced the resignation of Nicolai Wagtmann, PhD, Executive Vice-President and Chief Scientific Officer of Innate Pharma, and member of the Executive Board, due to personal reasons to pursue a career in the US.
- Yannis Morel, PhD, Executive Vice President, Chief Business Officer and member of the Executive Board, has been appointed Executive Vice-President Products Portfolio Strategy & Business development. In this role, Yannis now oversees the strategy of Innate's growing portfolio of clinical and preclinical assets. Yannis assumes the role of interim CSO.
- During the period, Bpifrance Participations, represented by Maïlys Ferrère, was appointed to the Supervisory Board. Prof. Jean-Charles Soria, who has been named Senior Vice President, Head of Oncology Innovative Medicines at MedImmune, resigned from his mandate.

Team:

As at June 30 2017, the headcount was 171 employees.

About Innate Pharma:

Innate Pharma S.A. is a clinical-stage biotechnology company dedicated to improving cancer treatment and clinical outcomes for patients through first-in-class therapeutic antibodies that harness the innate immunity.

Innate Pharma specializes in immuno-oncology, a new therapeutic field that is changing cancer treatment by mobilizing the power of the body's immune system to recognize and kill cancer cells.

The Company's broad pipeline includes four first-in-class clinical stage antibodies as well as preclinical candidates and technologies that have the potential to address a broad range of cancer indications with high unmet medical needs.

Innate Pharma has pioneered the discovery and development of checkpoint inhibitors, with a unique expertise and understanding of Natural Killer cell biology. This innovative approach has resulted in major alliances with leaders in the biopharmaceutical industry including AstraZeneca, Bristol-Myers Squibb, Novo Nordisk A/S and Sanofi. Innate Pharma is building the foundations to become a fully-integrated biopharmaceutical company.

Based in Marseille, France, Innate Pharma has more than 170 employees and is listed on Euronext Paris.

Learn more about Innate Pharma at www.innate-pharma.com

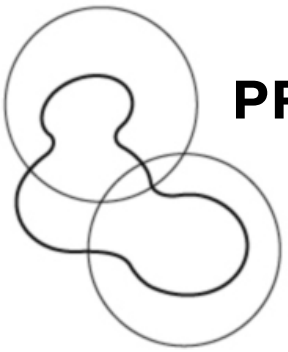
Information about Innate Pharma shares:

ISIN code	FR0010331421
Ticker code	IPH

Disclaimer:

This press release contains certain forward-looking statements. Although the company believes its expectations are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those anticipated. For a discussion of risks and uncertainties which could cause the company's actual results, financial condition, performance or achievements to differ from those contained in the forward-looking statements, please refer to the Risk Factors ("Facteurs de Risque") section of the *Document de Reference* prospectus filed with the AMF, which is available on the AMF website (http://www.amf-france.org) or on Innate Pharma's website.

This press release and the information contained herein do not constitute an offer to sell or a solicitation of an offer to buy or subscribe to shares in Innate Pharma in any country.



PRESS RELEASE

innate pharma

For additional information, please contact:

Investors

Innate Pharma

Dr Markus Metzger / Jérôme Marino
Investor relations

Tel.: +33 (0)4 30 30 30 30

investors@innate-pharma.com

International Media

Consilium Strategic Communications

Mary-Jane Elliott /
Jessica Hodgson / Philippa Gardner

Tel.: +44 (0)20 3709 5700

InnatePharma@consilium-comms.com

French Media

ATCG Press

Marie Puvieux

Mob: +33 (0)6 10 54 36 72

presse@atcg-partners.com

Interim Consolidated Financial Statements and Notes

Statement of financial position
(in thousand euros)

	June 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents	151,003	175,906
Short-term investments	20,481	21,782
Current receivables	24,288	32,390
Total current assets	**195,772**	**230,078**
Intangible assets	7,720	9,075
Tangible assets	9,834	9,094
Non-current financial assets	32,631	32,975
Other non-current assets	427	355
Total non-current assets	**50,612**	**51,499**
Total assets	**246,384**	**281,577**
Liabilities		
Trade payables	18,182	20,265
Financial liabilities – Current portion	1,202	1,264
Deferred revenue – Current portion	56,643	54,912
Total current liabilities	**76,027**	**76,441**
Financial liabilities – Non-current portion	3,459	4,063
Defined benefit obligations	2,422	2,418
Deferred revenue – Non-current portion	95,065	112,348
Provisions	502	136
Total non-current liabilities	**101,448**	**118,965**
Share capital	2,701	2,696
Share premium	193,194	187,571
Consolidated reserves	(103,594)	(116,235)
Net income (loss)	(23,359)	12,640
Other reserves	(33)	(503)
Total shareholders' equity attributable to equity holders of the Company	**68,909**	**86,169**
Total liabilities and equity	**246,384**	**281,577**

Statement of income
(in thousand euros)

	June 30, 2017	June 30, 2016
Revenue from collaboration and licensing agreements	15,554	16,659
Government financing for research expenditures	5,720	4,025
Revenue and other income	**21,274**	**20,685**
Research and development	(31,583)	(20,273)
General and administrative	(7,922)	(3,339)
Net operating expenses	**(39,505)**	**(23,612)**
Operating income (loss)	**(18,231)**	**(2,927)**
Financial income	1,216	1,835
Financial expenses	(6,344)	(2,080)
Net income (loss) before tax	**(23,359)**	**(3,171)**
Income tax expense	-	-
Net income (loss)	**(23,359)**	**(3,171)**
Net income (loss) per share attributable to the equity holders of the Company:		
(in € per share)		
- basic	(0.43)	(0.06)
- diluted	(0.43)	(0.06)

Statement of cash flows
(in thousand euros)

	June 30, 2017	June 30, 2016
Net income (loss)	**(23,359)**	**(3,171)**
Depreciation and amortization	2,127	1,563
Provisions for defined benefit obligations	190	460
Provisions for charges	366	-
Share-based payments	5,177	-
Variance of depreciation on financial assets	(218)	(600)
Foreign exchanges (gains) / losses on financial instruments	2,682	1,027
Variance on accrued interests on financial instruments	(84)	(152)
Gains on assets and other financial assets	(421)	(748)
Net interests paid	58	65
Operating cash flow before change in working capital	**(13,482)**	**(1,555)**
Change in working capital	(9,591)	(20,513)
Net cash generated from / (used in) operating activities:	**(23,072)**	**(22,067)**
Purchase of intangible assets	(181)	(7,740)
Purchase of tangible assets	(1,314)	(1,018)
Disposal of tangible assets	39	
Purchase of current financial assets	-	(9,469)
Purchase of non-current financial assets	(500)	(1,527)
Disposal of current financial assets	-	48,198
Disposal of non-current financial assets	4	-
Purchase of other non-current assets	(71)	-
Gains on other financial assets	421	748
Net cash generated from / (used in) investing activities:	**(1,601)**	**29,193**
Transactions on treasury shares	-	14
Issue of own shares	450	141
Repayment of financial liabilities	(667)	(240)
Net interests paid	(58)	(65)
Net cash generated from financing activities:	**(274)**	**(150)**
Effect of the exchange rate changes	44	7
Net increase / (decrease) in cash and cash equivalents:	**(24,903)**	**6,982**
Cash and cash equivalents at the beginning of the period:	175,906	152,870
Cash and cash equivalents at the end of the period:	**151,003**	**159,852**

Revenue and other income

The following table summarizes operating revenue for the periods under review:

In thousands of euros	June 30, 2017	June 30, 2016
Revenue from collaboration and licensing agreements	15,554	16,659
Government funding for research expenditures	5,720	4,025
Revenue and other income	**21,274**	**20,685**

Revenue from collaboration and licensing agreements for the first half of 2017 entirely stems from the agreement signed with AstraZeneca. The related revenue decreased by €0.6m, resulting from the fall in the costs related to this agreement (the initial payment being recognized on the basis of the recognized costs).

For the first half of 2016, the line item also included revenue relating to the agreement signed with Bristol-Myers Squibb.

Government funding for research expenditures are mainly composed of research tax credit (€5.7m for the first half of 2017 compared to €4.0m for the first half of 2016). This variance results from the following:

- For the first half of 2017, the eligible expenses included the amortization expense relating to the anti-NKG2A intangible asset. This resulted from the decision of the Administrative appeal court of Bordeaux to include this kind of expenses (judgement date March 16, 2016);
- The rise in staff costs resulted from the increase of the R&D staff.

Each of these two elements had a positive impact of €0.8m.

The research tax credit relating to the fiscal year 2016, amounting to €9.1m, was collected in July 2017 after deduction of the corporate tax relating to the same fiscal year (€0.3m).

Operating expenses, by business function

The following table breaks down the operating expenses by function for the six-month period ended June 30th, 2017, compared to 2016's first half:

In thousands of euros	June 30, 2017	June 30, 2016
Research and development expenses	(31,583)	(20,273)
General and administrative expenses	(7,922)	(3,339)
Operating expenses	**(39,505)**	**(23,612)**

Research and development ("R&D") expenses include the cost of employees assigned to research and development operations (including employees assigned to work under the collaboration and licensing agreements), subcontracting costs (research, preclinical development and clinical development) as well as costs of materials (reagents and other consumables) and pharmaceutical products.

The increase in R&D expenses between the two periods under review (€31.6m as of June 30, 2017 compared to €20.3m as of June 30, 2016, or +56%) mainly resulted from both higher subcontracting costs (+€5.9m) and share-based compensation expenses (+€2.2m, non-cash item). Higher subcontracting costs were mainly driven by IPH4102 (+€4.2m).

R&D expenses accounted for 80% of operating expenses for the six-month period ended June 30, 2017 (2016: 86%).

General and administrative ("G&A") expenses mostly comprise costs of the "support" staff as well as external expenses for the management and development of our business. The rise in costs mainly resulted from an increase in share-based compensation (+€3.0m, non-cash item), non-scientific advisories (+€1.2m) and staff costs other than share-based compensation (+€0.5m).

G&A expenses accounted for 20% of operating expenses for the six-month period ended June 30, 2017 (2016: 14%).

During the second half of 2016, the Company granted some equity instruments to its employees, including to Mr. Mahjoubi following his appointment as Chairman of the executive board. Given these instruments include an acquisition period (one or three years), their fair value is spread over the relevant period according to IFRS 2. There was no share-based compensation expense for the first half of 2016. Indeed, the instruments granted in 2015 did not include any acquisition period. Consequently, their fair value was entirely recognized in 2015.

Operating expenses, by business nature

The following table breaks down the operating expenses by function for the six-month period ended June 30th, 2017, compared to 2016's first half:

In thousands of euros	June 30, 2017	June 30, 2016
Costs of supplies and consumable materials	(1,900)	(1,568)
Intellectual property expenses	(899)	(654)
Other purchases and external expenses	(21,627)	(13,885)
Employee benefits other than share-based compensation	(7,540)	(5,363)
Share-based payments	(5,177)	-
Depreciation and amortization	(2,128)	(1,563)
Other income and (expenses), nets	(234)	(580)
Operating expenses	**(39,505)**	**(23,612)**

The changes in the most significant line items can be analyzed as follows:

- Costs of supplies and consumable materials: the rise in these expenses between the two periods (+€0.3m) mainly resulted from the increase in discovery activities;
- Other purchases and external expenses: the variance of the line item between the two periods was driven by the increase of the subcontracting costs (+€5.9m, see previous page);
- Employee benefits other than share-based compensation: the increase of the line item resulted from the rise in the employees (171 as of June 30, 2017 vs. 127 as of June 30, 2016);
- Share-based payments: the expense recognized for the first half of 2017 relates to a part of the fair value of the free shares and free preferred shares issued in 2016. These instruments include a condition requiring presence. As a consequence, the fair value of

these instruments were deferred and recognized as expenses during the acquisition periods. This expense is a non-cash item.

- Depreciation and amortization: the rise of the line item mainly resulted from the amortization relating to the anti-NKG2A intangible asset (€1.5m for the first half of 2017 vs. €1.2m for the first half of 2016);
- Other income and expenses, net: the fall of the other income and expenses mainly resulted from the "contribution sociale de solidarité" based on the turnover of the fiscal year 2015 (€0.3m recognized during the first half of 2016).

Financial results

Financial income is mainly composed of interest related to cash, cash equivalents and financial assets.

Financial expenses for the first half of 2017 are mainly composed of exchange losses (€6.2m), resulting from the recovery of the Euro versus the U.S. dollar as of June 30, 2017 compared to December 31, 2016. This variance had an adverse impact on the valuation in Euro of the cash, cash equivalents and financial assets held in U.S. dollar in order to face the expenses expected to be paid in U.S. dollar.

Balance sheet items

Cash, cash equivalents and financial assets (current and non-current) amounted to €204.1m as of June 30, 2017, as compared to €230.7m as of December 31, 2016. Cash and cash equivalents do not include the reimbursement of the 2016 research tax credit which was collected in July 2017 (€9.1m). Consequently, the amount of net cash as of June 30, 2017 amounted to €170.3m (€196.4m as of December 31, 2016). Net cash is equal to cash, cash equivalents and current financial assets less current financial liabilities.

Since its incorporation in 1999, the Company has been primarily financed by revenue from its out-licensing activities (mostly in relation to the agreements with Novo Nordisk A/S and Bristol-Myers Squibb) and by issuing new shares. The Company also generated cash from government financing for research expenditure (zero interest loan for innovation) and non-interest-bearing repayable advances (BPI France). As of June 30, 2017, these repayable advances amount to €1.2m, of which €0.3m classified as current financial liabilities and €0.9m as non-current financial liabilities.

The other key balance sheet items as of June 30, 2017 are as follows:

- Deferred revenue of €151.7m relating to the remainder of the initial payment from AstraZeneca not yet recognized as revenue (including €95.1m booked as 'Deferred revenue – non-current portion');
- Receivables from the French government in relation to the research tax credit for 2016 and the six-month period ended June 30, 2017 (€14.7m);
- Intangible assets for a net book value of €7.7m, mainly corresponding to the rights and licenses relating to the acquisition of the monalizumab and anti-CD39 programs;
- Shareholders' equity of €68.9m including the net loss for the period (€23.4m).

Cash-flow items

The net cash flow consumed over the six-month period ended June 30, 2017 amounted to -€24.9m, compared to a net cash flow of +€7.0m generated for the same year-ago period. Net cash flows generated during the first half of 2016 mainly resulted from the disposal of current financial instruments.

The cash flow generated during the period under review mainly results from the following:

- Net cash used in operating activities of €23.1m, mainly resulting from research and development activities and personnel expenses;
- Net cash used in investing activities for an amount of €1.6m, mainly resulting from the purchase of tangible assets;
- Net cash used in financing activities for an amount of €0.3m, mainly resulting from the reimbursement of finance-leases (principal and interest).

Key elements since January 1, 2017

- On February 6, 2017, the Company announced top-line results from the EffiKIR trial evaluating the efficacy of lirilumab as a single agent in elderly patients with acute myeloid leukemia. The trial did not meet the primary efficacy endpoint but confirmed the safety profile of lirilumab as a monotherapy. This result does not call the potential of lirilumab into question which is currently being tested by Bristol-Myers Squibb in a broad and comprehensive combination program in multiple indications.
- On June 2, 2017, the Company announced that it entered into an agreement with Novo Nordisk A/S granting Innate Pharma full worldwide exclusive rights to develop and commercialize a first-in-class clinical-stage anti-C5aR antibody (IPH5401). The terms of the transaction provide for a total upfront payment of €40.0m, of which €37.2m will be paid in new Innate Pharma shares and €2.8m in cash. Novo Nordisk A/S will be eligible for €370.0m in development, regulatory and sales milestone payments. Novo Nordisk A/S will also be eligible for double digit royalties on net sales. After the issuance of the new Innate Pharma shares, the stake of Novo Nordisk A/S in Innate Pharma increased from 10.3% to 15.5%. This is a post balance sheet event since the acquisition of the Novo Nordisk A/S subsidiary owning the rights of anti-NKG2A occurred in July 2017.
- On June 26, 2017, the Company announced that Nicolai Wagtmann, PhD, Executive Vice-President and Chief Scientific Officer of Innate Pharma, and member of the Executive Board, has resigned due to personal reasons to pursue a career in the US. A recruitment process is underway and an announcement about his successor will be made in due time. Furthermore, Yannis Morel, PhD, Executive Vice President, Chief Business Officer and member of the Executive Board, has been promoted to EVP Products portfolio strategy & Business development. He now oversees the strategy of the Innate Pharma's growing portfolio of clinical and preclinical assets. Yannis also assumes the role as interim CSO.

Post period event

- To cope with the midterm increase in its staff and activities, the Company initiated a project regarding the construction of a new building and obtained a building permit in March 2017. On July 3, 2017, the Company subscribed for a loan from Société Générale in order to finance the building of its future headquarters. The maximum amount of this

loan is €15.2m. Meanwhile, the Company examines the expansion and reorganization of its current premises to handle short-term staff increase.

Nota

The interim consolidated financial statements for the six-month period ended June 30, 2017 have been subject to a limited review by our Statutory Auditors and were approved by the Executive Board of the Company on September 12, 2017. They were reviewed by the Supervisory Board of the Company on September 15, 2017. They will not be submitted for approval to the general meeting of shareholders.

Risk factors

Risk factors identified by the Company are presented in paragraph 1.9 of the registration document ("Document de Référence") submitted to the French stock-market regulator, the "Autorité des Marchés Financiers", on March 31, 2017 (AMF number D.17-0282). The main risks and uncertainties the Company may face in the six remaining months of the year are the same as the ones presented in the registration document available on the internet website of the Company. Not only may these risks and uncertainties occur during the six months remaining in the financial year but also in the years to come.

Related party transactions

Transactions with related parties during the periods under review are disclosed in Note 18 to the interim consolidated financial statements prepared in accordance with IAS 34 revised.

No material transaction was concluded with a member of the executive committee or the Supervisory Board following the date of the 2016 registration document.