innate pharma

French *société anonyme* governed by an executive board and a supervisory board with a share capital of 2,676,217.50 euros composed of 53,524,250 shares with a nominal value of 0.05 euros each.
Registered office: 117, Avenue de Luminy, F-13009 Marseille. Registered with the Company and Trade Register of Marseille under number 424 365 336.

Interim financial report
June 30, 2015

Interim financial situation at June 30, 2015

The following interim consolidated financial statements have been prepared by the Executive Board of the Company, and have been subject to a limited review by our Statutory Auditors. They have been examined by the Supervisory Board of the Company on September 16, 2015.

Summary

Innate Pharma at a glance

Innate Pharma S.A. (the “Company”) is a biopharmaceutical company discovering and developing first-in-class therapeutic antibodies for the treatment of cancer and inflammatory diseases.

Its innovative approach has translated into major alliances with leaders in the biopharmaceutical industry such as Bristol-Myers Squibb, AstraZeneca and Novo Nordisk A/S.

The Company has two clinical-stage programs in immuno-oncology, a new therapeutic field that is changing cancer treatment by enhancing the capability of the body’s own immune cells to recognize and kill cancer cells.

Innate Pharma science also has potential in chronic inflammatory diseases.

Incorporated in 1999 and listed on NYSE-Euronext in Paris in 2006, Innate Pharma is based in Marseilles, France, and had 110 employees at June 30, 2015.

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

1. Financial Highlights and Management Discussions and Analysis

The key elements of Innate Pharma's financial results for the first half of 2015 are as follows:

- Cash, cash equivalents and current financial instruments amounting to €278.9m (million euros) at June 30, 2015 (€69.2m at December 31, 2014), following the receipt on June 30, 2015 of the $250m initial payment (€223.5m) relating to the co-development and commercialization agreement signed on April 24, 2015 with AstraZeneca. At the same date, the financial liabilities amounted to €4.0m (€4.2m at December 31, 2014).
- Revenue and other income amounting to €6.4m (€4.1 million for the first half of 2014). This amounts results from licensing revenue (€3.1m) and from research tax credit (€3.3m). Revenue related to the licensing agreements mainly results from spreading of initial payment received by Innate Pharma in the context of the agreement signed in April 2015 with AstraZeneca.
- Operating expenses amounting to €15.5m (€13.2m for the first half of 2014) of which 82% related to research and development. The increase of these expenses mainly results from the rise of the staff (110 employees on June 30, 2015 to be compared to 90 on June 30, 2014).
- As a consequence of the items mentioned previously, the net loss for the first half of 2015 amounts to €7.0m (€9.0m for the first half of 2014).

The table below summarizes the IFRS consolidated financial statements for the six-month period ended June 30, 2015, with a comparison to the same period in 2014:

In thousands of euros, except for data per share	June 30, 2015	June 30,2014
Revenue and other income	**6,436**	**4,137**
Research and development	(12,754)	(10,890)
General and administrative	(2,728)	(2,310)
Operating expenses	**(15,482)**	**(13,200)**
Operating income/(loss)	**(9,046)**	**(9,063)**
Financial income	2,370	338
Financial expenses	(298)	(143)
Share of profit (loss) of associates and joint ventures	-	(170)
Net loss	**(6,974)**	**(9,039)**
Weighted average number of shares outstanding (in thousands)	53,160	47,337
Net loss per share	(0.13)	(0.19)

	June 30, 2015	December 31, 2014
Cash, cash equivalents and financial instruments	278,925	69,238
Total assets	305,083	90,690
Shareholders' equity	69,178	74,626
Total financial debt	3,983	4,206

Revenue and other income

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

In thousands of euros	June 30, 2015	June 30, 2014
Revenue from collaboration and licensing agreements	3,092	1,027
Government funding for research expenditures	3,344	3,110
Revenue and other income	**6,436**	**4,137**

The rise in revenue and other income at June 30, 2015 results from the start of the recognition of the initial payment in relation with the co-development agreement signed with AstraZeneca in April 2015. This revenue is spread over the costs of the clinical trials the Company is in charge of.

At June 30, 2014, this line item only came from the licensing agreement signed with Bristol-Myers Squibb in July 2011 (€24.9m). This recognition is almost completed.

Government funding for research costs is mainly composed of the research tax credit (€3.3m for the six-month period ended June 30, 2015 compared to €3.1m for the same year-ago period). The 2014 research tax credit should be received by the end of the fiscal year (€6.5m).

Operating expenses, by business function

The following table breaks down the net operating expenses by function for the periods under review:

In thousands of euros	June 30, 2015	June 30, 2014
Research and development expenses	(12,754)	(10,890)
General and administrative expenses	(2,728)	(2,310)
Operating expenses	**(15,482)**	**(13,200)**

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), product manufacturing costs, subcontracting costs as well as costs of materials (reagents and other consumables) and pharmaceutical products.

The variance in R&D expenses between the two periods under review (€12.8m at June 30, 2015 versus €10.9m at June 30, 2014, or +17%) mainly results from the staff costs (+€1.4m), consumables (+€0.4m) and intellectual property costs (+€0.3m). These variances are explained in the next page.

R&D expenses accounted for 82% of operating expenses for the six-month period ended June 30, 2015 (2014: 83%).

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 of these costs mainly results from an increase in staff costs (0.4 million euros).

G&A expenses accounted for 18% of operating expenses for the six-month period ended June 30, 2015 (2014: 17%).

Operating expenses, by business nature

The following table breaks down the net operating expenses by nature of expense for the periods under review:

In thousands of euros	June 30, 2015	June 30, 2014
Costs of supplies and consumable materials	(1,179)	(788)
Intellectual property expenses	(513)	(265)
Other purchases and external expenses	(7,214)	(7,358)
Employee benefits other than share-based compensation	(5,114)	(3,556)
Share-based payments	(272)	-
Depreciation and amortization	(977)	(1,082)
Other income and (expenses), net	(215)	(150)
Operating expenses	**(15,482)**	**(13,200)**

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

- Costs of supplies and consumable materials: the rise in these expenses between the two periods (€1.2m at June 30, 2014 compared to €0.8m at June 30, 2014, or +50%) mainly results from the increase of the discovery activities;
- Intellectual property costs: this increase mainly results from the costs in relation to IPH2201 bought in February 2014;
- Other purchases and external expenses: the variance of the line item between the two periods results from the decrease of the subcontracting costs (-€0.4m) partly offset by legal costs in relation to the AstraZeneca agreement (€0.2m);
- Employee benefits other than share-based compensation: the increase in these expenses between the two periods (€5.1m at June 30, 2015 compared to €3.6m at June 30, 2014, or +44%) mainly results from the recruitment of around 20 employees (€0.9m) and an increase of the collective bonus following the agreement with AstraZeneca.

Balance sheet item

Cash, cash equivalents and financial instruments amounted to €278.9m at June 30, 2015, as compared to €69.2m at December 31, 2014. Cash and cash equivalents do not include the reimbursement of the 2014 research tax credit which will be received during the second half year (€6.5m).

Since its incorporation in 1999, the Company has been primarily financed from revenue from its licensing activities (mostly in relation to the agreements with Novo Nordisk A/S and Bristol-Myers Squibb) and by issuing new securities. The Company also generated cash from government financing for research expenditure and repayable advances (BPI France). At June 30, 2015, these repayable advances amount to €1.5m euros booked in non-current financial liabilities.

The other key balance sheet items at June 30, 2015 are as follows:

- Deferred revenue for €219.1m relating to the remaining of the initial payment from Astra-Zeneca not yet recognized as turnover (including €173.3m booked as ‘Other non-current liabilities’);
- Receivables from the French government in relation to research tax credit for the year 2014 and the six-month period ended June 30, 2015 (€9.7m);
- Intangible assets for a net book value of €4.7m, corresponding to the rights and licenses relating to the acquisition in February 2014 of the anti-NKG2A antibody;
- Shareholders’ equity of €69.2m including the net loss for the period (€7.0m).

Cash-flow items

The net cash flow generated over the six-month period ended June 30, 2015 amounted to €210.5m, compared to a net cash flow of 35.6 million euros generated for the same year-ago period.

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

- A loss of €7.0m for the six-month period ended June 30, 2015, including amortization for an amount of €1.0m;
- The proceed of the initial payment relating to the agreement signed with AstraZeneca on April 24, 2015 (€223.5m);
- The net proceed from the issuance of new shares corresponding to the exercise of equity instruments (€1.2m).

Other elements

None to be reported.

Key elements since January 1, 2015

On April 24, 2015, Innate Pharma SA signed a co-development and commercialization agreement with AstraZeneca, along with MedImmune, to accelerate and broaden the development of its proprietary anti-NKG2A antibody, IPH2201, including in combination with MEDI4736, an anti-PD-L1 immune checkpoint inhibitor proprietary of AstraZeneca. The financial terms of the signed agreement include cash payments of up to $1.275 billion (including a $250 million initial payment) as well as double digit royalties on sales.

Nota

The interim consolidated financial statements for the six-month period ended June 30, 2015 have been subject to a limited review by our Statutory Auditors and were approved by the Executive Board of the Company on September 16, 2015. They were reviewed by the Supervisory Board of the Company on September 16, 2015. 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 5 of the “Document de Référence” submitted to the French stock-market regulator, the “Autorité des Marchés Financiers”, on March 12, 2015. 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 reference document available on the internet website of the Company.

Related party transactions

Transactions with related parties during the periods under review are disclosed in Note 20 to the Interim consolidated financial statements prepared in accordance with IAS 24 revised.

Forward looking statements

Certain information contained in this presentation includes forward-looking statements. Forward-looking statements are not guarantees of future performance of the Company and its actual financial condition, actual results of operations and cash flows and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this presentation. In addition, even if the Company's financial condition, results of operations and cash flows and the development of the industry in which the Company operates are consistent with the forward-looking statements contained in this presentation, those results or developments may not be indicative of results or developments in future periods. These statements are based on management's current expectations or beliefs and involve risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The Company does not undertake, nor does it have any obligation, to provide updates or to revise the forward-looking statements contained in this presentation to reflect events that occur or circumstances that arise after the date of this presentation. The Company takes no responsibility for the use of this information by any person.

2. Statutory auditors' review report on interim consolidated financial statements

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by the General Manager and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier) , we hereby report to you on:

• the review of the accompanying condensed half-yearly consolidated financial statements of Innate Pharma for the period from January 1 to June 30, 2015;

• the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Marseille, September 16, 2015

The Statutory Auditors

French original signed by

AUDIT CONSEIL EXPERTISE, SA	**DELOITTE & ASSOCIES**
Member of PKF International	
Nicolas Lehnertz	Hugues Desgranges

3. Interim consolidated financial statements

Consolidated Interim Balance Sheet
(in thousands of euros)

	Note	June 30, 2015	December 31, 2014
Assets			
Current Assets			
Cash and cash equivalents	4	274,767	64,286
Current financial assets	4	4,158	4,952
Current receivables	5	15,525	10,075
Total current assets		**294,450**	**79,314**
Non-current assets			
Intangible assets	6	4,732	5,362
Tangible assets	7	5,816	5,931
Other non-current assets		84	84
Total non-current assets		**10,632**	**11,377**
Total assets		**305,083**	**90,690**
Liabilities			
Current liabilities			
Trade payables	8	57,372	10,322
Financial liabilities	9	462	453
Total current liabilities		**57,834**	**10,775**
Non-current liabilities			
Financial liabilities	9	3,521	3,753
Defined benefit obligations	10	1,203	1,094
Other non-current liabilities	11	173,347	441
Total non-current liabilities		**178,071**	**5,289**
Capital and reserves attributable to equity holders of the Company			
Share capital	12	2,676	2,648
Share premium		183,306	181,746
Retained earnings		(109,527)	(89,881)
Net income (loss)		(6,974)	(19,647)
Other reserves		(303)	(241)
Total capital and reserves attributable to equity holders of the Company		**69,178**	**74,626**
Total liabilities and equity		**305,083**	**90,690**

Consolidated Interim Income Statement (in thousands of euros)

	Note	June 30, 2015	June 30, 2014
Revenue from collaboration and licensing agreements	13	3,092	1,027
Government financing for research expenditures	13	3,344	3,110
Revenue and other income		**6,436**	**4,137**
Cost of supplies and consumable materials	14	(1,179)	(788)
Intellectual property expenses		(513)	(265)
Other purchases and external expenses	14	(7,214)	(7,358)
Employee benefits other than share-based compensation	15	(5,114)	(3,556)
Share-based compensation		(272)	-
Depreciation and amortization	7	(977)	(1,082)
Other expenses	16	(215)	(150)
Operating expenses, net		**(15,482)**	**(13,200)**
Operating income (loss)		**(9,046)**	**(9,063)**
Financial income	17	2,370	338
Financial expenses	17	(298)	(143)
Share of profit (loss) of associates and joint ventures		-	(170)
Net income (loss) before tax		**(6,974)**	**(9,039)**
Income tax expense	18	-	-
Net income (loss)		**(6,974)**	**(9,039)**
Net income (loss) per share attributable to the equity holders of the Company:			
(in € per share)			
- basic	21	(0.13)	(0.19)
- diluted	21	(0.13)	(0.19)

Statement of comprehensive income (in thousands of euros)

In thousands of euros	June 30, 2015	June 30, 2014
Net loss for the period:	**(6,974)**	**(9,039)**
Elements which won't be recycled in the income statement		
Actuarial gains and (losses)	(33)	(18)
Elements which will be recycled in the income statement		
Change in fair value of current financial instruments	19	-
Currency translation gain / (loss)	(47)	(5)
Other comprehensive income for the period:	**(61)**	**(23)**
Comprehensive income for the period:	**(7,035)**	**(9,062)**

Consolidated Interim Statement of Cash Flows (in thousands of euros)

	Note	June 30, 2015	June 30, 2014
Net income (loss)		**(6,974)**	**(9,039)**
Depreciation and amortization	6, 7	977	1,082
Provisions for charges and defined benefit obligations		76	41
Share-based payments		272	-
Share of profit (loss) of associates and joint ventures		-	170
(Gains) / losses on disposal of fixed assets		13	2
Gains on assets and other financial assets	17	(351)	(242)
Net interests paid	17	72	86
Operating cash flow before changing in working capital		**(5,915)**	**(7,900)**
Changing in working capital		214,506	(859)
Net cash generated from / (used in) operating activities:		**208,590**	**(8,759)**
Acquisition of property, plant and equipment	7	(233)	(230)
Acquisition of intangible assets	6	-	(2,023)
Disposal of fixed assets		-	-
Acquisition of current financial assets	4	-	(1,955)
Disposal of current financial assets		800	-
Gains on assets and other financial assets	18	351	242
Net cash generated from / (used in) investing activities:		**918**	**(3,967)**
Transactions on treasury shares	12	101	11
Capital increase	12	-	47,807
Issue of own shares	12	1,213	1,003
Repayment of financial liabilities	9	(223)	(394)
Net interests paid	17	(72)	(86)
Net cash generated from financing activities:		**1,020**	**48,340**
Effect of the exchange rate changes		(47)	(5)
Net increase / (decrease) in cash and cash equivalents:		**210,481**	**35,609**
Cash and cash equivalents at the beginning of the period:		64,286	38,360
Cash and cash equivalents at the end of the period:		**274,767**	**73,369**

Change in working capital	Note	June 30, 2015	December 31, 2014	Impact
Current receivables ad prepayments	5	15,525	10,075	(5,450)
Deferred revenue	11	(173,347)	(441)	172,906
Trade payables	9	(57,372)	(10,322)	47,050
Changing in working capital		**(215,194)**	**(688)**	**214 506**

Interim Statement Of Changes In Equity (in thousands of euros)

	Share capital	Share premium	Retained earnings	Net gain / (loss)	Other comprehensive income	Total shareholders' equity
Balance at January 1, 2014	**2,287**	**128,000**	**(87,072)**	**(2,892)**	**(38)**	**40,286**
Net loss for the 6-month period ended June 30, 2014	-	-	-	(9,039)	-	(9,039)
Actuarial gains / losses)	-	-	-	-	(18)	(18)
Foreign exchange gain / (loss)	-	-	-	-	(5)	(5)
Total comprehensive income for the period	**-**	**-**	**-**	**(9,039)**	**(23)**	**(9,062)**
Net loss appropriation for 2013	-	-	(2,892)	2,892	-	-
Directoire February 10, 2014 – Exercice of SO 2005, BSAAR 2010 and BSAAR 2012	2	157	-	-	-	159
Directoire March 7, 2014 - Exercice of SO 2005, BSA 2011 and 2013, BSAAR 2010, 2011 and 2012	16	804	-	-	-	820
Directoire March 26, 2014 - Exercice of BSA 2011 and 2013 and BSAAR 2012	-	24	-	-	-	24
Directoire April, 4 2014 – Capital increase Novo Nordisk A/S	30	4,957	-	-	-	4,977
Directoire June, 23 2014 – Capital increase	313	47,494	-	-	-	47,807
Liquidity contract – Treasury shares	-	11	-	-	-	11
Total contributions by and distributions to owners of the company, recognized directly in equity	**361**	**53,437**	**(2,892)**	**2,892**	**-**	**53,798**
Balance at June 30, 2014	**2,648**	**181,437**	**(89,964)**	**(9,039)**	**(61)**	**85,021**
Net loss for the six-month period ended December 31, 2014	-	-	-	(10,608)	-	(10,608)
Change in fair value of marketable securities AFS	-	-	-	-	58	58
Actuarial gains / losses)					(169)	(169)
Foreign exchange gain / (loss)	-	-	6	-	(69)	(63)
Total comprehensive income for the period	**-**	**-**	**6**	**(10,608)**	**(180)**	**(10,782)**
Directoire July 16, 2014 – Grant BSA 2014	-	2	-	-	-	2
Directoire December 18, 2014 – Subscription BSAAR 2010 and 2013	-	10	-	-	-	10
Share base payments	-	377	-	-	-	377
Liquidity contract – Treasury shares	-	(79)	-	-	-	(79)
Fair value of the shares PPS following the end of the consolidation using the equity	-	-	77	-	-	77
Others	-	(1)	-	-	-	(1)
Total contributions by and distributions to owners of the company, recognized directly in equity	**-**	**308**	**77**	-	-	**385**
Balance at December 31, 2014	**2,648**	**181,746**	**(89,881)**	**(19,647)**	**(241)**	**74,626**
Net loss for the 6-month period ended June 30, 2015	-	-	-	(6,974)	-	(6,974)
Change in fair value of current financial instruments	-	-	-	-	19	19
Actuarial gains and losses	-	-	-	-	(33)	(33)
Foreign exchange gain / (loss)	-	-	-	-	(47)	(47)
Total comprehensive income for the period	-	-	-	**(6,974)**	**(61)**	**(7,035)**
Net loss appropriation for 2014	-	-	(19,647)	19,647	-	-
Directoire February 5, 2015 – Exercise of SO 2005, BSAAR 2011 and 2012	3	124	-	-	-	127
Directoire March 4, 2014 – Exercise SO 2015 and PEE	3	94	-	-	-	97
Directoire April 14, 2015 – Exercise SO 2005, BSAAR 2010 and 2012	4	283	-	-	-	287
Directoire July 1, 2015 – Exercise SO 2005, BSA 2008, 2011-1, 2011-2 & 2013 & BSAAR 2010, 2011 & 2012	18	685	-	-	-	702
Share-based payments	2	271	-	-	-	272
Liquidity contract – Treasury shares	-	101	-	-	-	101
Total contributions by and contributions to owners of the Company, recognized directly in equity	**27**	**1,558**	**(19,647)**	**19,647**	**-**	**1,585**
Balance at June 30, 2015	**2,676**	**183,306**	**(109,527)**	**(6,974)**	**(303)**	**69,178**

Notes to the Interim Consolidated Financial Statements

1) The Company

Innate Pharma is a biopharmaceutical company developing first-in-class immunotherapy drugs for cancer and inflammatory diseases. Based in Marseilles, France, it had 110 employees at June 30, 2015. It was incorporated in 1999 and listed on NYSE-Euronext in Paris in 2006.

The Company specializes in the development of new monoclonal antibodies targeting receptors and pathways controlling the activation of innate immunity cells. The mechanisms controlling these cells were described at the end of the 90's, notably by the teams of the scientists who founded Innate Pharma.

On the basis of this science, Innate Pharma develops drug candidates with immuno-stimulating properties in cancer and with immuno-blocking properties in inflammatory conditions. Furthermore, many of the ligands to the innate immunity receptors are expressed on tumor cells, opening the way to the development of directly cytotoxic antibodies.

The most advanced drug-candidates of the Company are Lirilumab, licensed to the US biopharmaceutical group Bristol-Myers Squibb, and IPH2201, under a global co-development and commercialization agreement with AstraZeneca. These two candidates are currently tested in the context of Phase II clinical trials.

Innate Pharma's key expertise is in immunopharmacology and antibody technology. The Company has a large panel of molecular and cellular assays and in vivo models for assessing the pharmacodynamics, the pharmacotoxicology and efficacy of drug candidates. In addition, Innate Pharma has access to a very large set of unique research tools in cellular immunology through its worldwide network of scientific collaborations.

At June 30, 2015, the Company owned:

- A fully owned subsidiary, called Innate Pharma, Inc., created in 2009 and registered in the Delaware, United States. The corporate purpose of this company consists of managing the business development activities in the United Sates. This company is dormant since January 1, 2011;
- A 8.19% stake into Platine Pharma Services SAS.

The Company is and should continue, in the near to mid-term, to be financed primarily through the issuance of new equity instruments as well as through partnering activity. The Company's activity is not subject to seasonal fluctuations.

The Executive Board approved these interim consolidated financial statements presented under IFRS on September 16, 2015. They were also examined by the Supervisory Board on the same day and were subject to a limited review by the statutory auditors of the Company. They are not subject to approval by the General Meeting of shareholders.

Key events since January 1, 2015

- On April 24, 2015, Innate Pharma SA signed a co-development and commercialization agreement with AstraZeneca, along with MedImmune, to accelerate and broaden the development of its proprietary anti-NKG2A antibody, IPH2201, including in combination with MEDI4736, an anti-PD-L1 immune checkpoint inhibitor proprietary of AstraZeneca. The financial terms of the signed agreement include cash payments of up to $1.275 billion (including a $250 million initial payment) as well as double digit royalties on sales. The agreement includes co-promotion rights in Europe for 50% of the profits in this territory for Innate Pharma. According to this co-development agreement, Innate Pharma will carry out several Phase II trials.

In million euros	Assets	Liabilities	P&L
Cash and cash equivalents	223.5		
Revenue from collaboration and licensing agreements			2.5
Trade payables		45.8	
Other non-current liabilities		173.4	
Financial revenue (FX gain)			1.8
Total	**223.5**	**219.2**	**4.3**

This agreement includes a limited license for the combination of IPH2201 and MEDI4736 and an option for the whole rights relating to anti-NKG2A. Innate Pharma is in charge of carrying out several Phase II trials. When some predefined success criteria are reached, AstraZeneca will exert its option and will be in charge of the Phase III trials and commercialization. Innate Pharma will have the option to participate to the commercialization in Europe.

2) Accounting policies

a) Basis of preparation

The interim consolidated financial statements for the six-month period ended June 30, 2015 have been prepared in accordance with IAS 34, 'Interim Financial Reporting' from the International Financial Reporting Standards (IFRS) as adopted by the European Union. They should be read in conjunction with the annual consolidated financial statements at December 31, 2014 prepared in accordance with IFRS as adopted by the European Union and presented in paragraph 20.1 of the "Document de Référence" submitted to the French stock-market regulator, the "Autorités des Marchés Financiers", on March 12, 2015.

On April 24, 2015, the Company signed a co-development and commercialization agreement with AstraZeneca / MedImmune. The initial payment was received on June 30, 2015 for an amount of €223.5m, generating a €1.8m exchange difference gain. The amount to recognize as revenue (€221.7m) is spread over the basis of the costs Innate Pharma is engaged to bear in the context of the agreement. At June 30, 2015, the amount not yet in revenue amounts to €219.2m (€45.8m as "Operational liabilities" and €173.4m as "Other non-current liabilities".

b) Accounting policies

The accounting policies applied are the same as those adopted in the preparation of the annual financial statements at December 31, 2014 in accordance with IFRS as adopted by the European Union.

Application of the following new and amended standards is mandatory for the first time for the financial period beginning on January 1, 2015 and, as such, they have been adopted by the Company:

- Amendment to IAS 19 "Employee contributions", mandatory for annual periods beginning on or after July 1, 2014;
- IFRIC 21 "Levies", mandatory for annual periods beginning on or after June 17, 2014.

None of these amendments and interpretations has a significant impact on the financial statements of the Company for the six-month period ended June 30, 2015.

The following new standards, amendments to existing standards and interpretations have been published but are not applicable in 2015, and have not been early adopted by the Company:

- Annual improvement (2012-2014 cycle), mandatory for annual periods beginning on or after January 1, 2016,
- IFRS 9 "Financial instruments", mandatory for annual periods beginning on or after January 1, 2018;
- IFRS 14 "Regulatory deferral accounts", mandatory for annual periods beginning on or after January 1, 2016;

- IFRS 15 “Revenue from contracts with customers”, mandatory for annual periods beginning on or after January 1, 2017;
- Amendment to IFRS 10 and IAS 28 “Sales or contributions of assets between an investor and its associate/joint venture”, mandatory for annual periods beginning on or after January 1st, 2016;
- Amendment to IFRS 11 “Acquisition of an interest in a joint operation”, mandatory for annual periods beginning on or after January 1, 2016;
- Amendment to IAS 1”Disclosure initiative”, mandatory for annual periods beginning on or after January 1, 2016;
- Amendment to IAS 16 and IAS 38 “Clarification of acceptable methods of depreciation and amortisation”, mandatory for annual periods beginning on or after January 1, 2016;
- Amendment to IAS 16 and 41”Agriculture: Bearer Plants”, mandatory for annual periods beginning on or after January 1, 2016;
- Limited amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”, mandatory for periods beginning on or after February 1st, 2015.

3) Management of financial risks

Interim consolidated financial statements do not include all the information relating to financial risks described in the annual consolidated financial statements. The main financial risk to which the Company is exposed is foreign exchange risk. The Company did not identify other risks than the ones presented in the 2014 reference document.

4) Cash, cash equivalents and current financial instruments

	June 30, 2015	December 31, 2014
Cash and cash equivalents	274,767	64,286
Current financial assets	4,158	4,952
Cash, cash equivalents and current financial assets	**278,925**	**69,238**

Cash and cash equivalents

Cash and cash equivalents are composed of current accounts and fixed term accounts.

	June 30, 2015	December 31, 2014
Current accounts	258,600	39,685
Fixed term accounts	16,167	24,601
Cash and cash equivalents	**274,767**	**64,286**

Fixed terms accounts owned by the Company respect the criteria to be classified as cash equivalents: amounts invested are indeed available on a day to day basis the capital is free of risk and easily convertible into know amounts of cash.

Current financial assets

In order to diversify its investments, the Company subscribed some shares of a “fonds commun de placement” (mutual fund). Valuation of these shares at June 30, 2015 amounts to 3,036 thousand s of euros (3,030 thousands of euros at December 31, 2014, the change in fair value being recognized in Other Comprehensive Income). Amounts invested on this support are available on a day to day basis and easily convertible in a well -known amounts of cash. However, the capital is not free of risk.

The Company also invested into a bond portfolio. The valuation of this portfolio amounts to 1,122 thousands of euros at June 30, 2015. This asset is designated as a held-to-maturity investment valuated at amortized cost.

5) Current receivables

Current receivables are analysed as follows (in thousands of euros):

	June 30, 2015	December 31, 2014
Research tax credit and CICE	9,868	6,554
Prepaid expenses	3,424	1,162
VAT refund	932	1,052
Trade receivables	463	426
Liquidity contract – Cash position	335	233
Prepayments made to suppliers	216	328
Grants and government subsidies	32	237
Other receivables	255	83
Current receivables and prepayments	**15,525**	**10,075**

The book value of trade payables is considered to be a reasonable approximation of their fair value. Trade receivables are related to Bristol-Myers Squibb and mainly correspond to the subcontracting costs necessary to complete some trials currently being performed by the Company.

At June 30, 2015, current receivables include a €0.3m VAT credit relating to the fourth quarter of the fiscal year 2013. The reimbursement of this credit is subject to a contentious procedure towards the Tribunal Administrative (Administrative Court). The Company is confident in its ability to collect this receivable.

6) Intangible assets

	Anti-NKG2A rights	Other intangible assets	Total intangible assets
Year ended December 31, 2014			
Net opening balance	**-**	**-**	**-**
Acquisitions	7 000	-	7,000
Depreciation	(1 638)	-	(1 638)
Net closing balance	**5,362**	**-**	**5,362**
6-month period ended June 30, 2015			
Net opening balance	**5,362**	**-**	**5,362**
Acquisitions	-	-	-
Depreciation	(629)	**-**	(629)
Net closing balance	**4,732**	**-**	**4,732**

On February 5, 2014, Innate Pharma SA acquired from Novo Nordisk A/S full development and commercialization rights to the anti-NKG2A antibody, a first-in-class immune checkpoint inhibitor. The financial counterpart (€2m and 600,000 shares issued at a unit price of €8.33) was recognized as an intangible asset and amortized on a straight-line basis on the anticipated length of the Phase II trials planned by the Company (that is to say end of 2017). The depreciation plan was updated at June 30, 2015 to take into consideration the impact of the agreement signed with AstraZeneca on the estimated duration of the trials.

7) Tangible assets

Tangible assets can be broken down as follows (in thousands of euros):

	Lands and buildings (1)	Laboratory equipment and other tangible assets	Tangible assets in progress	Total
Year ended December 31, 2014				
Net opening balance	**4,794**	**1,434**	**30**	**6,258**
Acquisitions	-	384	-	384
Disposals	-	(2)	-	(2)
Depreciation	(298)	(409)	-	(707)
Reclassification	-	30	(30)	-
Net closing balance	**4,496**	**1,437**	**-**	**5,931**
6-month period ended June 30, 2015				
Net opening balance	**4,496**	**1,437**	**-**	**5,931**
Acquisitions	-	201	32	233
Disposals	-	-	-	-
Depreciation	(149)	(199)	-	(348)
Net closing balance	**4,347**	**1,438**	**32**	**5,816**

(1) Gross value of the land amounts to 772 thousand euros. The land is not depreciated.

8) Trade payables

This line item is analyzed as follows (in thousands of euros):

	June 30, 2015	December 31, 2014
Suppliers	7,004	6,846
Tax and social liabilities	2,949	2,386
Other payables (grants)	37	205
Deferred income	47,381	885
Trade payables	**57,372**	**10,322**

Deferred income is related to the part of the initial payment received from AstraZeneca which will be recognized over the course of the next twelve months (€45.8m).

9) Financial liabilities

This line item breaks down as follows (in thousands of euros):

	June 30, 2015	December 31, 2014
Finance leases	462	453
Total – Current financial liabilities	**462**	**453**
BPI France (ex Oséo)	1,500	1,500
Finance leases	2,021	2,253
Total – Non current financial liabilities	**3,521**	**3,753**
Total financial liabilities	**3,983**	**4,206**

Financings from BPI France accounted as financial liabilities are grants that are reimbursable in the event of success or free interest loan for innovation (PTZI). They do not bear any interest.

Lease-finance obligations relate primarily (i) the real estate transaction in relation the acquisition by the Company of its new headquarters and main laboratories, as well as (ii) laboratory equipment, office furniture and computer equipment.

The amounts presented in current liabilities at June 30, 2015 are to be repaid within 12 months. The other items are mainly fixed assets acquired by finance-lease.

The table below details the repayment schedule of the aforementioned borrowings (in thousands of euros):

Repayment schedule	06/2016	06/2017	06/2018	06/2019	≥06/2020	Total
BPI France (ex Oséo)	-	150	300	300	750	**1,500**
Finance leases	462	482	502	524	513	**2,483**
Total	**462**	**632**	**802**	**824**	**1,263**	**3,983**

The table below details the repayment schedule for the contractual flow (principal and interest) of the aforementioned borrowings (in thousands of euros):

Repayment schedule	06/2016	06/2017	06/2018	06/2019	≥06/2020	Total
BPI France (ex Oséo)	-	150	300	300	750	**1,500**
Finance leases	554	554	554	554	1,677	**3,893**
Total	**554**	**704**	**854**	**854**	**2,427**	**5,393**

10) Pension benefits

The Company's pension benefits correspond to indemnities due to employees who leave the Company in the context of their retirement. The Company uses an external actuary firm so as to evaluate this provision corresponding to the fair value of the obligations not covered by plan assets.

11) Other non-current liabilities

The other non-current liabilities are composed of the part of the upfront payment received from AstraZeneca which will be recognized in profit and loss after the period ended June 30, 2016.

12) Capital

Share Capital

At December 31, 2014, the share capital was composed of 52,970,392 common shares with a 0.05 euro par value, or a share capital amounting to 2,648,519.60 euros.

On February 5, 2015, the Executive Board minuted the exercise of 1,000 stock-options 2005, 60,000 BSAAR-2011 and 500 BSAAR-2012 bringing the share capital to 2,651,594.60 euros (53,031,892 shares). The exercise price received by the Company was recorded as share capital to 3 thousand euros and an issue premium for 124 thousand euros.

On March 4, 2015, the Executive Board minuted the subscription of 51,872 ordinary shares reserved for employees as part of a Company Savings Plan (Plan d'Epargne Entreprise) and the exercise of 1,500 stock-options 2005 bringing the share capital to 2,654,263.20 euros (53,085,264 shares). The exercise price received by the Company was recorded as share capital to 3 thousand euros and an issue premium for 94 thousand euros.

On April 14, 2015, the Executive Board minuted the exercise of 58,000 stock-options 2005, 23,500 BSAAR-2010 and 7,000 BSAAR-2012 bringing the share capital to 2,658,688.20 euros (53,173,764 shares). The exercise price received by the Company was recorded as share capital to 4 thousands euros and an issue premium for 282 thousands euros.

On July 1, 2015, the Executive Board minuted the exercise of 1,000 stock-options 2005, 35,000 BSA-2008, 11,546 BSA-2011-1, 51,940 BSA-2011-2, 50,500 BSA-2013, 22,000 BSAAR-2010, 164,000 BSAAR-2011 and 14,600 BSAAR-2012 between April 14, and May, 2015, 2015, bringing the share capital to 2,676,217.50 euros (53,524,350 shares). The exercise price received by the Company was recorded as share capital to 17 thousands euros and an issue premium for 685 thousands euros.

Issuance of free shares ("BSA")

The Executive Board dated July 29, 2011, as per delegation given by the General Meeting of shareholders dated June 29, 2011, authorized the issuance of 325,000 BSA including 100,000 BSA-2011-1 and 225,000 BSA-2011-2, to independent members of the Supervisory Board, consultants and members of the Scientific Committee. Each BSA was subscribed for 0.01 euro and gives right to the subscription of a new share at a price of 1.77 euros.

The Executive Board dated July 17, 2013, as per delegation given by the General Meeting of shareholders dated June 28, 2013, authorized the issuance of 237,500 BSA-2013 to an independent member of the Supervisory Board, consultants and members of the Scientific Committee. Each BSA-2013 was subscribed for 0.01 euro and gives right to the subscription of a new share at a price of 2.36 euros. 62,500 BSA-2013 remained to be allocated on BSA-2013 300,000 authorized by the Assembly. The Executive Board of September 18, 2013, upon authorization of the Supervisory board, allocated 50,000 BSA-2013-1 to a consultant of the Company. Each BSA was subscribed for 0.01 euro and gives right to the subscription of a new share at a price of 2.35 euros. The subscription price received by the Company was recorded as an issue premium for respectively 2 and 1 thousand euros.

The Executive Board dated July 16, 2014, as per delegation given by the General Meeting of shareholders date March 27, 2014, authorized the issuance of 150,000 BSA-2014 to consultants. Each BSA-2014 was subscribed for 0.01 euro and gives right to the subscription of a new share at a price of 8.65 euros. The subscription price received by the Company was recorded as an issue premium for 2 thousand euros.

The Executive Board dated April 27, 2015, as per delegation given by the General Meeting of shareholders date April 27, 2015, authorized the issuance of 80,000 BSA-2015-1 to members of the Supervisory Board and members of the Scientific Board. Each BSA-2015-1 can be subscribed for 0.96 euro and gives right to the subscription of a new share at a price of 9.59 euros. The subscription period is ongoing at the date of this report and will terminate on September 25, 2015.

Issuance of redeemable warrants ("BSAAR")

On June 18, 2010, the Company distributed 100,000 redeemable warrants ("BSAAR-2010") to company officers and certain employees, as per a delegation given by the General Meeting of shareholders dated June 23, 2009. All BSAAR were acquired by beneficiaries. Each BSAAR-2010 will give beneficiaries the option to acquire one new share of the Company at a price of 2.34 euros. The exercise period terminated on June 18, 2015, all the BSAAR-2010 have been subscribed by the beneficiaries.

On September 9, 2011, as per delegation given by the General Meeting of shareholders dated June 29, 2011, the Company proposed 1,000,000 BSAAR-2011 to certain employees and company officers. On January 11, 2012, the Executive Board minuted the subscription of 650,000 BSAAR-2011 out of the 1,000,000 proposed BSAAR. Each BSAAR-2011 gives right to the subscription of one new share at a price of 2.04 euros. Since September 9, 2013, the BSAAR-2011 have been entirely available. The exercise period was fixed to 10 years from their issuance date.

On May 27, 2013, as per delegation given by the General Meeting of shareholders dated June 28, 2012, the Company proposed 200,000 BSAAR-2012 to employees. On July 3, 2013, the Executive Board minuted the subscription of 146,050 BSAAR-2012 out of the 200,000 proposed BSAAR. Each BSAAR-2012 gives right to the subscription of one new share at a price of 2.04 euros. Since May 27, 2015, the BSAAR-2012 have been entirely available. The exercise period of the BSAAR-2012 was

fixed to 10 years from their issuance date. The subscription price received by the Company was booked in share premium for 16 thousand euros.

Potential capital

At June 30, 2015, the number of shares that could be issued from outstanding warrants (536,814), outstanding stock-options (60,000 shares) and outstanding repayable warrants (470,150) totaled 1,066,964, representing approximately 1.95% of the Company's share capital based on the existing number of shares on a fully diluted basis (i.e. 54,591,314).

Treasury shares

From August 31, 2012, the Company has mandated Gilbert Dupont to manage this liquidity contract. At June 30, 2015, the Company held 26,811 treasury shares (33,310 at December 31, 2014) for a total amount of 351 thousand euros (266 thousand euros at December 31, 2014). The balance of the liquidity contract at the same date was 335 thousands of euros (233 thousands of euros at December 31, 2014). These own shares are deducted from the equity in the consolidated financial statements.

13) Revenue and other income

Revenue from collaboration and licensing agreements

For the six-month period ended June 30, 2015, revenue from collaboration and licensing agreements mainly came from the co-development and commercialization agreement signed with AstraZeneca in April 2015. The amount recognized in turnover at June 30, 2015 amounts to €2.5m (see paragraph 2 "Accounting policies").

The line item is also composed of revenue from collaboration and licensing agreements signed with Bristol-Myers Squibb and is composed of the following elements

- An upfront payment of €24.9m ($35.3m). This upfront payment, which is non-refundable and non-creditable, is recognized in turnover during the expected period of duration of the clinical program in course at the date of the contract;
- The invoicing of the subcontracting costs necessary to complete trials currently being performed by the Company.

Government financing for research expenditures

At June 30, 2015, estimate of the amount of research tax credit for the first half period is calculated on the basis of eligible expenses in the period (30% of these expenses).

14) Cost of supplies and consumable materials, other purchases and external expenses

Cost of supplies and consumable materials consists mainly in procurement of the Company's drug substances and/or drug products manufactured by third-parties.

Other purchases and external expenses are analyzed as follows (in thousands of euros):

	June 30, 2015	June 30, 2014
Subcontracting	(4,689)	(5,061)
Non-scientific advisory and consulting	(693)	(503)
Travel expenses and participation to congresses	(538)	(581)
Leases, maintenance and utilities	(463)	(417)
Scientific advisory and consulting	(396)	(403)
Marketing, communication and public relations	(170)	(187)
Attendance fees	(100)	(100)
Telecommunications and postal services	(56)	(41)
Insurance	(50)	(55)
Bank charges	(16)	(12)
Others, net	(44)	3
Other purchases and external expenses	**(7,214)**	**(7,358)**

The increase of the non-scientific and consulting fees results from the legal fees relating to the agreement signed with AstraZeneca.

15) Employee benefits

This item line amounted to €5.1m and €3.6m for the six-month periods ended June 30, 2015 and 2014 respectively. The Company had 110 employees at June 30, 2015 (compared to 90 at June 30, 2014).

The rise of the item mainly results from the recruitment of around twenty employees, which represents a 20% increase of the staff (€0.9m) and an increase of the collective bonus following the agreement AstraZeneca.

16) Other expenses

Other expenses are analyzed as follows (in thousands of euros):

	June 30, 2015	June, 2014
Taxes	(139)	(112)
Other expenses	(76)	(42)
Other expenses	**(215)**	**(150)**

17) Financial income and expenses, net

Financial income and expenses can be analyzed as follows (in thousands of euros):

	June 30, 2015	June 30, 2014
Gains on financial instruments	331	242
Foreign exchange gains	2,020	72
Other financial income	179	23
Financial income	**2,370**	**338**
Interests on borrowings and finance-leases	(72)	(86)
Foreign exchange losses	(103)	(54)
Other financial expenses	(123)	(4)
Financial expenses	**(298)**	**(143)**
Financial income and expenses, net	**2,073**	**195**

At June 30, 2015, the line item is mainly composed of an exchange difference gain relating to the receipt of the initial payment of the agreement signed with AstraZeneca (€1.9m).

Interest paid on borrowings notably includes the finance lease agreement relating to the acquisition and refurbishment of the Company's main premises.

18) Income tax

Taking into account its stage of development which prevents management from making sufficiently reliable financial forecasts, the Group does not recognize deferred tax assets. Temporary differences mainly result from finance leases, provision for defined benefit obligation and tax loss carry forward. At June 30, 2015, the net amount of deferred tax liabilities excluding tax loss carry forward was 75 thousand euros (72 thousands of euros at December 31, 2014).

Taking into account the tax regulations, the Company had tax losses to be carried forward with no time limit for a total amount of €154m at December 31, 2014 (€127m at December 31, 2014).

19) Commitments, contingencies and litigation

On April 2, 2012, Platine Pharma Services SAS received a proposed adjustment following a tax audit. The adjustment amounts to 91 thousand euros. The management of Platine Pharma Services is contesting this adjustment. The period subject to the tax audit was prior to the acquisition by Transgene of an equity interest in Platine Pharma Services. Therefore, in accordance with the liabilities guarantee clause, the contingent liability resulting from this adjustment would only concern Innate Pharma SA.

Innate Pharma is exposed to contingent liabilities relating to legal actions before the labor court happening in the ordinary course of its activities. Each known litigation or procedure in course the Company is involved in was analyzed at the closing date after consultation of advisors. On the basis of the information made available to the Company, Innate Pharma does not consider having any risk as of today. Consequently, no provision was recognized at June 30, 2015.

20) Related party transactions

Members of the Executive Board and Executive Committee

The following compensations were granted to members of the executive committee of the Company and were expensed during the period under review (in thousands of euros):

	June 30, 2015	June 30, 2014
Salaries and short-term employee benefits	711	398
Extra pension benefits	6	7
Consultancy fees	311	235
Key management compensation	**1,028**	**640**

There were seven members of the executive committee at June 30, 2015 (six at June 30, 2014).

21) Earnings per share

Basic

Basic earnings per share are calculated by dividing the net earnings attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	June 30, 2015	June 30, 2014
Net loss for the period	(6,974)	(9,039)
Weighted average number of ordinary shares issued (in thousands)	53,160	47,337
Basic loss per share (€ per share)	(0.13)	(0.19)

Diluted

Diluted loss per share is calculated by adjusting the weighted number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. At June 30, 2013 and 2014, warrants, stock options and free shares allocated but not yet acquired did not have a dilutive effect. Indeed, they incur an increase of the earning per share. Therefore, the diluted earning per share is equal to the earning per share.

	June 30, 2015	June 30, 2014
Net loss for the period	(6,974)	(9,039)
Weighted average number of ordinary shares issued (in thousands)	43,160	47,337
Adjustment for warrants, stock options and free shares (in thousands)	-	-
Basic loss per share (€ per share)	(0.13)	(0.19)

22) Post balance sheet events

The Executive Board dated July 1, 2015, as per delegation given by the General Meeting of shareholders dated April 27, 2015, proposed 1,499,207 BSAAR-2015 to some employees and corporate officers of the Company and 25,000 BSA-2015-2 to a member of the Supervisory Board. The subscription period will terminate on November 30, 2015.

23) Income statement by function

The income statement by function is set out below (amounts in thousands of euros):

	June 30, 2015	June 30, 2014
Revenue from collaboration and licensing agreements	3,092	1,027
Government financing for research expenditures	3,344	3,110
Operating revenue	**6,436**	**4,137**
Research and development expenses	(12,754)	(10,890)
General and administrative expenses	(2,728)	(2,310)
Operating expenses	**(15,482)**	**(13,200)**
Operating income / (loss)	**(9,046)**	**(9,063)**
Financial income (expenses), net	2,073	195
Share of profit (loss) of associates and joint ventures	-	(170)
Net income / (loss)	**(6,974)**	**(9,039)**

In accordance with IFRS 8 – Operating segments, the information presented above is based on the internal reporting presented to the Chief Operating Decision Maker. Segments defined by the Company are General and administrative (G&A) expenses and research and development expenses (R&D). The core activity of the Company consists of managing a portfolio of drug candidates (identification and development of drug-candidates). Costs related to this activity are merged in the R&D segment. Costs of the support activities (finance, human resources, legal…), are merged in the G&A segment.

4. Declaration by the person responsible for this Interim Financial Report

I hereby declare, to the best of my knowledge, that the financial statements for the last six month period have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the assets and liabilities, the financial position and the results of the Company, and that the interim financial report beginning on page 3 reflects the changes in the turnover, results and financial position of the Company and of all of the entities included within the consolidation scope as well as a description of the principle risks and uncertainties for the six months to come.

Chairman of the Executive Board

Monsieur Hervé Brailly

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