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ISSUANCE BY INNATE PHARMA OF 3,343,748 ORDINARY SHARES TO NOVO NORDISK A/S IN CONSIDERATION FOR RIGHTS IN ANTI-C5aR

- *The acquisition of the anti-C5aR, a first-in-class clinical-stage antibody, announced on June 2, 2017, is now finalized;*
- *The 3,343,748 new ordinary shares have been issued to Novo Nordisk A/S at a price of €11.12;*
- *Novo Nordisk A/S's stake in the share capital of Innate Pharma increases from 10.3% to 15.5%;*
- *This press release is made in accordance with Article 17 of the French Autorité des Marchés Financiers ("AMF") Instruction n° 2016-04 dated October 21, 2016.*

Marseille, on July 13, 2017

On June 2, 2017, Innate Pharma SA (Euronext Paris: FR0010331421 – IPH) (the "**Company**") entered into a contribution in kind agreement with the company Novo Nordisk A/S ("**Novo**") under which Novo undertook to transfer shares to the Company by way of contribution (the "**Contribution**"), which contribution relates to all the shares held by Novo in a company named NN C5aR S.A.S. ("**NN C5aR**"). NN C5aR was set up for the purpose of acquiring the exclusive development and commercial rights in the anti-C5aR antibody by Innate Pharma. Prior to completion of the Contribution, Novo transferred to NN C5aR all rights and proceeds relating to the anti-C5aR antibody (which will become the IPH5401 program) in accordance with a license agreement governing the subsequent rights and obligations of the parties. The Company will soon absorb NN C5aR and will itself become a party to the license agreement.

The terms of the agreement provide for an upfront payment of €40m, of which €37.2m will be paid in the form of new shares in the Company and €2.8m will be paid in cash. Novo is eligible for up to €370m by way of development, regulatory and sales milestone payments and to double digit royalties on future net sales.

With the allocation of the newly issued shares in the Company, Novo's stake in the share capital of Innate Pharma increases from 10.3% to 15.5%.

This capital increase is effected through the 17th resolution of the June 2, 2016 General Meeting of Innate Pharma held on 2 June 2016, pursuant to which the shareholders granted the Company's Management Board powers to increase the Company's share capital in consideration for asset contributions¹.

The Supervisory Board of the Company, at its meeting of June 1st, 2017, unanimously approved the Contribution proposal.

The Management Board, at its meeting of June 2, 2017, approved the draft contribution agreement and license agreement, authorised the Company CEO to execute these agreements and approved the proposed capital increase of the Company in consideration for the Contribution. The management board, at its meeting of July 13, 2017, noted the completion of

¹ Article L. 225-147 para. 6 of the French commercial code.



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the Contribution, settled the 3,343,748 new ordinary shares issued in consideration for the Contribution and noted the completion of the capital increase.

The reasons and terms of the transaction are described hereafter.

1 Reasons for the transaction

The Contribution is the last step in the acquisition of the exclusive development and commercial rights in the anti-C5aR antibody by Innate Pharma. This acquisition will allow Innate Pharma to strengthen its proprietary pipeline with the acquisition of anti-C5aR (which becomes the IPH5401 program), a clinical-stage antibody, which could start clinical trials in oncology in 2018.

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 secrete inflammatory and angiogenic factors which promote tumour growth. In addition, they potently suppress anti-tumour T and NK cells and hamper the activities of PD-1 checkpoint blockers.

C5a, a factor in the complement cascade, is often overexpressed in tumours, where it attracts and activates MDSC and neutrophils in the tumour’s microenvironment.

IPH5401 is an entirely human antibody that blocks the binding of C5a to C5aR, thereby reducing the accumulation and activation of MDSC and neutrophils in tumours. Treatment with IPH5401 may initiate anti-tumour activities of T cells and NK cells. Preclinical trials support the development of IPH5401 as single agent and in combination with PD-1 checkpoint blockers or other cancer immunotherapies.

Under the transaction, Innate Pharma does acquire worldwide rights to anti-C5aR/IPH5401 in all indications from Novo.

2 Terms of the transaction

2.1 Parties to the transaction

Issuer – Beneficiary of the Contribution

Innate Pharma, a French *société anonyme*, whose registered office is located 117 avenue de Luminy, 13009 Marseille, registered with the *registre du commerce et des sociétés* of Marseille under number 424 365 336.

Contributor

Novo Nordisk A/S, a Danish corporation (*Aktieselskab*), whose registered office is located Novo Allé, 2880 Bagsvaerd, Denmark, registered with the Danish Central Trade Register (*Det Centrale Virksomhedsregister*) under number 24 25 67 90.

Prior to the Contribution, Novo was a shareholder of the Company and owned 10.3% of the Company’s share capital. Furthermore, Novo has had a seat on the supervisory board of the Company since June 26, 2007 and is represented by Mr. Karsten Munk Knudsen.

Company whose shares are contributed



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NN C5aR S.A.S., a French *société par actions simplifiée*, whose registered office is located 95 rue La Boétie, 75008 Paris, registered with the *registre du commerce et des sociétés* of Paris under number 830 680 476.

Following the transaction, a simplified merger (*fusion simplifiée*) will be implemented between the Company and NN C5aR, which is a wholly-owned subsidiary of the Company, leading to the absorption of NN C5aR by the Company.

2.2 Shares subject to the Contribution

The shares subject to the Contribution, *i.e.* 5,500,000 shares, represent 100% of the share capital and voting rights of NN C5aR S.A.S (the "**Contributed Shares**") and are fully contributed by Novo. By mutual agreement between Novo and the Company, the Contributed Shares were valued at €37,166,667.

2.3 Terms of the Contribution

The Contribution is effected under ordinary contributions in kind legal regime as defined by the provisions of Article L. 225-147 of the French commercial code.

The Contributed Shares have been valued at their actual value, which, as it has been agreed between the parties, is €37,166,667.

The contribution agreement stipulated that the number of shares to be issued as consideration for the Contribution (representing €37.2m) would be calculated on the basis of the volume-weighted average Innate share price during a period of 10 consecutive trading days starting on June 26, 2017, with a minimum of 2,700,000 shares and a maximum of 3,500,000 shares, *i.e.* an implied share issue price of €10.62 and €13.77.

The volume-weighted average share price during a period of 10 consecutive trading days starting on June 26, 2017 equals to €11.12, *i.e.* a number of shares to be issued of 3,343,748 (the "**New Innate Shares**") with a nominal value of €0.05 each, entirely assimilated to the existing shares of the Company. Such issue price shows a premium of 1.74 % compared to the closing price of July 12, 2017.

The New Innate Shares will be subject to an application for admission to trading on Euronext Paris to be assimilated with the existing listed shares of the Company (ISIN code FR0010331421).

The resulting share capital increase of the Company is €167,187.40, which brings the Company's share capital to €2,867,817.60, divided into 57,356,352 ordinary shares. The new shares represent 6.2% of the share capital of the Company before the issuance and any shareholder holding 1% of the share capital pre-issuance will hold 0.94% following the issuance.

Novo agreed to a 180-day lock-up period related to the New Innate Shares starting on July 13, 2017.

Given that the transaction constitutes a contribution of assets resulting in an issuance of securities representing less than 10% of the securities of the same category already admitted to trading on a regulated market, the parties are not subject to the requirement to publish a prospectus approved by the AMF pursuant to Article 17 of the AMF instruction n° 2016-04 dated October 21, 2016.



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2.4 Assessment of the value and remuneration of Contribution

Pursuant to Article L. 225-147 of the French commercial code and to Recommendation n° 2011-11 of the AMF, Ms. Lison Chouraki and Mr. Luc-René Chamouleau were appointed as contribution auditors (the "**Contribution Auditors**") for the purpose of the Contribution, by ordinance of the President of the Commercial Court of Marseille dated June 1st, 2017, with the task of assessing the value of the Contribution and the fairness of the remuneration for the contributed NN C5aR shares. The Contribution Auditors' reports were filed at the registered office and published on the Company's website on July 5, 2017.

(i) Conclusions of the Contribution Auditors on the value of the Contribution

In their report on the value of the Contribution dated July 5, 2017, the Contribution Auditors state that: *"Based on our work and at the date of this report, we believe that the adopted value of the contribution, amounting to €37,166,667, is not overvalued and, therefore, that the net contributed asset is at least equal to the amount of the capital increase of Innate Pharma, plus the issue premium."*

(ii) Conclusions of the Contribution Auditors on the remuneration for the Contribution

In their report on the remuneration of the Contribution dated July 5, 2017, the Contribution Auditors state that: *"Based on our work and at the date of this report, and subject to the share price of Innate Pharma falling within the value range implied in the contribution agreement, we believe that the proposed remuneration for the contribution, leading to the issuance of 2,700,000 to 3,500,000 Innate Pharma shares decided by the parties, is fair."*

The price of the capital increase corresponding to the average share price provided for in the contribution agreement is €11.12, within the €10.62 to €13.77 range of the implied Innate Pharma share issue price mentioned in 2.3 above.



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About Innate Pharma:

Innate Pharma S.A. is a clinical-stage biotechnology company with a focus on discovering and developing first-in-class therapeutic antibodies that harness the innate immune system to improve cancer treatment and clinical outcomes for patients.

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

The Company's aim is to become a fully-integrated biopharmaceutical company in the area of immunotherapy and to focus on serious unmet medical needs associated with cancer. Innate Pharma has pioneered the discovery and development of checkpoint inhibitors to activate the innate immune system. Innate Pharma's innovative approach has resulted in three "first-in-class", clinical trial-stage antibodies targeting natural killer cell receptors that may address a broad range of solid and hematological cancer indications as well as additional preclinical product candidates and technologies. Targeting receptors involved in innate immunity also creates opportunities for the Company to develop therapies for inflammatory diseases.

The Company's expertise and understanding of natural killer cell biology have enabled it to enter into major alliances with leaders in the biopharmaceutical industry including AstraZeneca, Bristol-Myers Squibb and Sanofi.

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 (www.amf-france.org) or on Innate Pharma's website (www.innate-pharma.com).

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.

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