PRESS RELEASE

innate pharma

FINANCIAL RESULTS FOR THE FIRST HALF OF 2010: PROGRAMS ON TRACK, DECREASE IN OPERATING LOSS, CONTROLLED BURN RATE AND STRONG CASH POSITION

Marseilles, France, August 31, 2010

Innate Pharma SA (the "Company" - Euronext Paris: FR0010331421 – IPH) announces today its financial results for the first half of 2010.

The key financial elements for the half-year results are as follows:

- A **decrease in the operating loss** to 6.7 million euros in the first half of 2010, from 7.9 million euros in the same period last year, resulting mainly from a decrease in operating expenses (9.2 million euros for the six-month period ending June 30, 2010 vs. 13.1 million euros for the six-month period ending June 30, 2009), itself explained by 1/ a decrease in clinical costs in relation with the completion of the Phase II program with IPH 1101 only partially offset by the costs associated with the start of IPH 2101 Phase II program, as well as 2/ the decrease in IFRS 2 non-cash expenses (payments in shares).
- A **stable net cash absorbed by operations before changes in working capital** (6.3 million euros in the six-month period ended June 30, 2010 vs. 6.2 million euros for the six-month period ending June 30, 2009), and a **solid balance sheet**: 39.1 million euros in cash, cash equivalent and current financial instruments as at June 30, 2010, and 7.9 million in financial debt, of which 4.5 millions euros are related to long term lease-financing.

The key events since January 1, 2010 were as follows:

- Report of final results with favorable complete response rate for the Phase II clinical trial with IPH 1101 in combination with rituximab in follicular Lymphoma (trial IPH 1101-202) at the Annual European Hematology Association ("EHA") Meeting.
- Report of updated interim data for the Phase I trial with IPH 2101 in Multiple Myeloma patients (trial IPH 2101-103) at the Annual American Society of Clinical Oncology ("ASCO") Meeting.
- Ongoing authorization process for new Phase II clinical trials with IPH 2101 in the US.
- Appointment of Mr. Patrick Langlois as member of the Supervisory Board and of the FSI (French Sovereign Fund) as observer to the Supervisory Board.

Mr. Stéphane Boissel, EVP and CFO, and Mr. Hemanshu Shah, EVP and CBO, have recently resigned from their position in the management team of the Company to pursue other business interests. A search for completing the management team is ongoing.

"*After the completion of the Phase II program with our historical candidate IPH 1101, Innate Pharma's research and development is now focused on the full speed development of IPH 2101, the anti-KIR antibody, as well as on the construction of a monoclonal antibodies pipeline."* said Hervé Brailly, CEO of Innate Pharma. He added: *"Solid cash position and stringent costs control should help us to deliver on our business plan for the period 2010-2012".*

A slide kit summarizing the key elements of the 2010 half-year results is available on Innate Pharma's website (www.innate-pharma.com).

Interim financial results:

The key elements of Innate Pharma's financial results for the first half of 2010 are as follows:

- A decrease in the operating loss to 6.7 million euros in the first half of 2010, compared to 7.9 million euros in the same period last year. This results mainly from a decrease in operating expenses (9.2 million euros for the six-month period ended June 30, 2010 vs. 13.1 million euros for the six-month period ended June 30, 2009). Operating revenue also decreased (2.5 million euros for the six-month period ended June 30, 2010 vs. 5.2 million euros for the six-month period ended June 30, 2009).
- Before changes in working capital, stable cash absorbed by the operations (6.3 million euros in the six-month period ended June 30, 2010 vs. 6.2 million euros for the six-month period ended June 30, 2009), and a solid balance sheet: 39.1 million euros in cash, cash equivalent and current financial instruments as at June 30, 2010, and 7.9 million in financial debt, of which 4.5 million euros are related to long term lease-financing.

The table below summarizes the IFRS consolidated financial statements for the six-month period ended June 30, 2010, with a comparison to the same period in 2009:

	6-month period ending June 30	
In thousands of euros, except for data per share	**2010**	**2009**
Operating revenue	**2,476**	**5,159**
Research and development	(7,179)	(9,753)
General and administrative	(2,005)	(3,311)
Net operating expenses	**(9,184)**	**(13,064)**
Operating income (loss)	**(6,709)**	**(7,904)**
Interest income/(expenses), net	(21)	(42)
Net loss	**(6,730)**	**(7,946)**
Average number of shares outstanding (in thousand)	37,184	25,912
Net loss per share	(0.18)	(0.31)

	June 30, 2010	December 31, 2009
Cash, cash equivalents and current financial	39,142	49,194
Total assets	55,292	64,219
Shareholders' equity	40,506	47,122
Total financial debt	7,936	8,277

Operating revenue:

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

	6-month period ended June 30	
In thousands of euros	**2010**	**2009**
Revenue from collaboration and licensing agreements	210	2,590
Government funding for research expenditures	2,264	2,507
Other revenue	1	62
Operating revenue	**2,476**	**5,159**

Turnover is composed by revenue from collaboration and licensing agreements as well as by other revenue

For the six-month period ended on June 30, 2010 and 2009, revenue from collaboration and licensing agreements mostly came from agreements signed with Novo Nordisk A/S in March 2006 as well as in 2009.

After the research and development collaboration part of the 2006 agreement ended in March 2009, the Company received additional research and development funding from Novo Nordisk A/S for collaborative work performed after March 2009 on selected products that are licensed to Novo Nordisk A/S.

Government funding for research costs is mostly composed of the research tax credit. Despite an increase in R&D expenses between the two periods under review decreased, net R&D expense eligible to research tax credit were stable, due notably to the deduction from the tax credit basis of subsidies received during the first half of 2009. Research tax credits were respectively 1.9 million euros for the six-month period ended June 30, 2010 and 2.1 million euros for the same year-ago period.

Net operating expenses by business function:

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

	6-month period ending June 30	
In thousands of euros	**2010**	**2009**
Research and development expenses	(7,179)	(9,753)
General and administrative expenses	(2,005)	(3,311)
Net operating expenses	**(9,184)**	**(13,064)**

Research and development ("R&D") expenses include mostly R&D staff costs, product manufacturing costs, subcontracting costs (research, pre-clinical and clinical development) as well as costs of materials (reagents and other consumables) and pharmaceuticals products.

The decrease in R&D expenses between the two periods under review (7.2 million euros for the six-month period ended June 30, 2010 vs. 9.8 million euros for the year-ago period, or -26%) reflects notably the end of the clinical costs related to IPH 1101 Phase II program, only partly offset by the costs associated with the start of IPH 2101 Phase II program, as well as the decrease in share-based compensation (7 thousand euros for the six-month period ended June 30, 2010, vs. 740 thousand euros for the six-month period ended June 30, 2009).

Expenses for clinical development represented a total of 4.0 million euros for the six-month period ended June 30, 2010, or 56% of the R&D costs, to be compared with 6.2 million euros for the same year-ago period, or 64% of the R&D costs.

R&D expenses accounted for 78% of net operating expenses for the six-month period ended June 30, 2010 vs. 75% for the same year-ago period.

General and administrative ("G&A") expenses include mostly costs of the "support" staff as well as external expenses for the management and development of our business (legal, auditing, business development, etc.). These costs amounted to 2.0 million euros for the six-month period ended June 30, 2010 vs. 3.3 million euros for the six-month period ended June 30, 2009. The decrease of G&A expenses is mostly related to the decrease in share-based compensation (13 thousand euros for the six-month period ended June 30, 2010, vs. 1,006 thousand euros for the six-month period ended June 30, 2009).

G&A expenses accounted for 22% of net operating expenses for the six-month period ended June 30, 2010 vs. 25% for the six-month period ended June 30, 2009.

Net operating expenses by nature:

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

	6-month period ended June 30	
In thousands of euros	**2010**	**2009**
Costs of supplies and consumable materials	(1,491)	(1,065)
Intellectual property expenses	(446)	(440)
Other purchases and external expenses	(3,572)	(5,751)
Employee benefits other than share-based compensation	(3,014)	(3,323)
Share-based compensation	(20)	(1,747)
Depreciation and amortization	(489)	(512)
Other income and (expenses), net	(152)	(225)
Net operating expenses	**(9,184)**	**(13,064)**

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

- Costs of supplies and consumable materials: costs of supplies and consumable materials have increased between the two periods under review mainly as the result of an increase in manufacturing expenses for IPH 2101.
- Other purchases and external expenses: the decrease in these expenses between the two periods under review (3.6 million euros vs. 5.8 million euros for the six-month period ended June 30, 2010 and 2009 respectively, or -38%) is mostly explained by a decrease in costs of sub-contracted clinical operations, notably related to the end of the Phase II program with IPH 1101.
- Employee benefits other than share-based compensation: the decrease of these expenses between the two periods under review (3.0 million euros for the six-month period ended June 30, 2010 vs. 3.3 million euros for the period ended June 30, 2009) is mostly explained by the change in headcount (82.8 persons in average for the six-month period ended June 30, 2010 vs. 87.5 persons for the period ended June 30, 2009).
- The decrease in share-based compensation between the two periods under review is explained by the acceleration, in early 2009, of the vesting conditions of the free shares distributed in 2008.

Balance sheet items:

Cash, cash equivalent and current financial instruments amounted to 39.1 million euros as at June 30, 2010, as compared to 49.2 million euros on December 31, 2009. The balance as at June 30, 2010 does not take into account 3.7 million euros in research tax credit received in July 2010.

Since its inception in 1999, the Company has been primarily financed by issuing new securities. The Company also generated cash flow from its licensing activity (mostly in relation with the agreements with Novo Nordisk A/S), from research tax credit and from repayable government financing (Oséo). Repayable government financing amounted to 2.5 million euros on June 30, 2010, accounted as non-current financial liabilities.

The other key balance sheet items as at June 30, 2010 were as follows:

- Receivables from the French government in relation to research tax credits of 5.7 million euros, of which 1.9 million euros for the six-month period ended June 30, 2010, and 3.7 million euros for the twelve-month period ended December 31, 2009 (fully repaid in July 2010).
- Property, plant and equipment of 7.7 million euros, mainly composed by the new headquarters and laboratories of the Company, acquired and renovated in 2008 through a lease-financing agreement with SOGEBAIL, an affiliate of Société Générale. As at June 30, 2010, the net financial liability in relation to this acquisition amounted to 4.5 million euros.
- Shareholders' equity of 40.5 million euros including the net loss for the period (6.7 million euros).

Cash-flow items:

The net cash flow absorbed in the operations over the six-month period ended on June 30, 2010 amounted to 10.1 million euros, compared to a net cash flow generated by the operations of 2.0 million euros for the same year-ago period. This change is mostly explained by the effect on working capital of the early repayment (by the French' State) in the first half 2009 of the research tax credit balance as at December 31, 2008, amounting 10.4 million euros.

Risk factors:

Risk factors identified by the Company are presented in paragraph 4 of the "Document de Référence" submitted to the French stock-market regulator, the "Autorité des Marchés Financiers", on April 23, 2010.

Precisions:

The interim consolidated financial statements have been subject to a limited review by our Statutory Auditors and approved by the Executive Board of the Company on August 27, 2010. They have been reviewed by the Supervisory Board of the Company on August 27, 2010. They will not be submitted for approval to a general meeting of shareholders.

Related party transactions:

Transactions with related parties during the periods under review are disclosed in the Note 17 to the Interim consolidated financial statements prepared in accordance with IAS 34.

About Innate Pharma:

Innate Pharma S.A. is a clinical-stage biopharmaceutical company developing first-in-class immunotherapy drugs for cancer and other severe diseases. The Company has two drug candidates currently in Phase II clinical trials. Two of its preclinical programs are out-licensed to Novo Nordisk A/S.

Incorporated in 1999 and listed on NYSE-Euronext in Paris in 2006, Innate Pharma is based in Marseilles, France, and had 81 employees as at June 30, 2010.

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

Practical Information about Innate Pharma shares:

ISIN code	FR0010331421
Ticker code	IPH

Disclaimer:

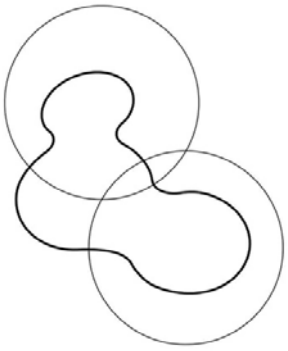
This press release contains certain forward-looking statements. Although the company believes its expectations are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those anticipated. 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, 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.

For additional information, please contact:

Innate Pharma
Laure-Hélène Mercier
Director, Investor Relations
Phone: +33 (0)4 30 30 30 87
investors@innate-pharma.com

Alize Public Relations
Caroline Carmagnol
Phone: +33 (0) 1 42 68 86 43
Mobile: +33 (0)6 64 18 99 59
caroline@alizerp.com



PRESS RELEASE

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Consolidated Interim Balance Sheet
(in thousands of euros)

	June 30, 2010	December 31, 2009
Assets		
Current Assets		
Cash and cash equivalents	36,391	46,448
Current financial instruments	2,751	2,746
Current receivables and prepayments	8,372	7,071
Assets available for sale	100	-
Total current assets	**47,614**	**56,266**
Non-current assets		
Property, plant and equipment	7,667	7,943
Other non-current assets	11	10
Total non-current assets	**7,679**	**7,953**
Total assets	**55,292**	**64,219**
Liabilities and equity		
Current liabilities		
Trade payables	6,518	8,369
Financial liabilities	740	723
Provisions	24	173
Total current liabilities	**7,283**	**9,265**
Non-current liabilities		
Financial liabilities	7,196	7,554
Defined benefit obligations	308	278
Total non-current liabilities	**7,504**	**7,832**
Capital and reserves attributable to equity holders of the Company		
Share capital	1,884	1,832
Share premium	108,233	108,295
Retained earnings	(63,223)	(48,597)
Net loss for the year or the period	(6,730)	(14,626)
Other comprehensive income	343	219
Total capital and reserves attributable to equity holders of the Company	**40,506**	**47,122**
Total liabilities and equity	**55,292**	**64,219**

Consolidated Interim Income Statement
(in thousands of euros)

	6-month period ended June 30	
	2010	**2009**
Revenue from collaboration and licensing agreements	210	2,590
Government financing for research expenditures	1	63
Other revenue	2,264	2,507
Operating revenue	**2,476**	**5,159**
Cost of supplies and consumable materials	(1,491)	(1,065)
Intellectual property expenses	(446)	(440)
Other purchases and external expenses	(3,572)	(5,751)
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Share-based compensation	(20)	(1,747)
Depreciation and amortization	(489)	(512)
Other income and (expenses), net	(152)	(225)
Net operating expenses	**(9,184)**	**(13,064)**
Operating income / (loss)	**(6,709)**	**(7,904)**
Financial income (expenses), net	(21)	(42)
Income / (loss) before tax	**(6,730)**	**(7,946)**
Income tax expense	-	-
Net income / (loss)	**(6,730)**	**(7,946)**
Net income / (loss) per share attributable to the equity holders of the Company:		
(in € per share)		
- basic	(0.18)	(0.31)
- diluted	(0.18)	(0.31)