PRESS RELEASE

innate pharma

FINANCIAL RESULTS FOR THE FIRST HALF OF 2011:
Strong validation for Innate Pharma's two most advanced programs, controlled burn rate and strong cash position

Marseilles, France, August 31, 2011

Innate Pharma SA (the "Company" - Euronext Paris: FR0010331421 – IPH), the innate immunity company developing first-in-class drugs for cancer and inflammatory diseases, announces today its financial results for the first half of 2011.

Innate Pharma has made significant progress in its corporate development and its innovative immunotherapy pipeline over 2011. With now two collaborations with major pharma partners, Novo Nordisk A/S and Bristol-Myers Squibb, Innate Pharma has achieved strong validation for the key concepts of its science and its unique positioning in innate immunity.

The key events of the first half of 2011 were as follows:

- A European trial application was filed by **Novo Nordisk A/S** for IPH2201 (NN8765) in February 2011, resulting in the receipt of a milestone payment. IPH2201 is a first-in-class humanized antibody generated in the collaboration between Innate Pharma and Novo Nordisk A/S and developed by Novo Nordisk A/S to treat patients with chronic inflammatory and auto-immune diseases;
- In cooperation with **Transgene SA**, Innate Pharma jointly created a new company specializing in immunomonitoring services, Platine Pharma Services. Platine Pharma Services will provide fee-based services to the healthcare industry for the preclinical and clinical development of prophylactic and therapeutic drug candidates;
- From a corporate perspective, Catherine Moukheibir, Senior Advisor Finance since March 2011, was appointed to the Executive Board in May.

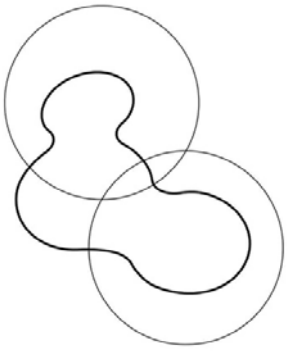
Post period end highlight:

- In July 2011, Innate Pharma signed a breakthrough global agreement with **Bristol-Myers Squibb** for the development and commercialization of the anti-KIR monoclonal antibody IPH2102, currently in Phase I clinical trials. The agreement included an upfront payment of $35 million and potential development, regulatory and commercial milestone payments totalling up to $430 million, as well as double-digit royalty payments on worldwide net sales.

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

- A decrease in the operating loss to 5.7 million euros in the first half of 2011, compared with a loss of 6.7 million euros in the same period last year;
- A solid balance sheet with 29.7 million euros in cash, cash equivalent and current financial instruments as at June 30, 2011, and 7.1 million in financial debt. This cash situation doesn't take into account the $35 million payment made by Bristol-Myers Squibb in July 2011 for the signing of the collaboration and licencing agreement. Cash absorbed by operations amounted 4.2 million euros in the six-month period ended June 30, 2011 compared with 9.5 million euros in the same period last year.

Hervé Brailly, Chief Executive Officer of Innate Pharma, commented: *"Innate Pharma is at a highly exciting point of its development. The collaboration with Bristol-Myers Squibb for IPH2102 is a testament to Innate Pharma's innovative science and the team's skill and hard work. Our strong cash runway and unique position as a leading player in the innate immunity field gives us great confidence in the Company's potential. We look forward to further updating the market after our program review in the second half of 2011."*



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About Innate Pharma:

Innate Pharma S.A. is a biopharmaceutical company developing first-in-class immunotherapy drugs for cancer and inflammatory diseases.

The Company specializes in the development of new monoclonal antibodies targeting receptors and pathways controlling the activation of innate immunity cells. Its innovative approach has been validated by licence agreements with two major pharmaceutical companies, Novo Nordisk A/S and Bristol-Myers Squibb.

Incorporated in 1999 and listed on NYSE-Euronext in Paris in 2006, Innate Pharma is based in Marseilles, France, and had 78 employees as at June 30, 2011.

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 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.

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Interim financial results:

The key elements of Innate Pharma's financial results for the first half of 2011 are as follows:

- **A decrease in the operating loss** to 5.7 million euros in the first half of 2011, compared with 6.7 million euros in the same period last year. This results from the combined effect of an increase in operating revenue (3.0 million euros for the six-month period ended June 30, 2011 vs. 2.5 million euros for the six-month period ended June 30, 2010) and a decrease in operating expenses (8.8 million euros for the six-month period ended June 30, 2011 vs. 9.2 million euros for the six-month period ended June 30, 2010).
- **A solid balance sheet**: 29.7 million euros in cash, cash equivalent and current financial instruments as at June 30, 2011, and 7.1 million in financial debt, of which 4.1 million euros are related to long term lease-financing. Cash flow absorbed by the operations amounted to 4.2 million euros in the six-month period ended June 30, 2011.

The table below summarizes the IFRS consolidated financial statements for the six-month period ended June 30, 2011, with a comparison to the same period in 2010:

	6-month period ended June 30	
In thousands of euros, except for data per share	**2011**	**2010**
Operating revenue	**3,036**	**2,476**
Research and development	(6,469)	(7,179)
General and administrative	(2,294)	(2,005)
Net operating expenses	**(8,763)**	**(9,184)**
Operating income (loss)	**(5,727)**	**(6,709)**
Interest income/(expenses), net	501	(21)
Net loss	**(5,226)**	**(6,730)**
Average number of shares outstanding (in thousand)	37,687	37,184
Net loss per share	(0.14)	(0.18)

	June 30, 2011	December 31, 2010
Cash, cash equivalents and current financial instruments	29,654	34,581
Total assets	41,479	48,010
Shareholders' equity	28,187	33,516
Total financial debt	7,133	7,488

Operating revenue:

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

	6-month period ended June 30	
In thousands of euros	**2011**	**2010**
Revenue from collaboration and licensing agreements	1,000	211
Government funding for research expenditures	2,036	2,264
Operating revenue	**3,036**	**2,476**

For the six-month period ended on June 30, 2011 and 2010, revenue from collaboration and licensing agreements came from agreements signed with Novo Nordisk A/S in March 2006 and in 2009. For the six-month period ended on June 30, 2011, revenue arises from a payment by Novo Nordisk A/S for IPH2201 (NN8765) reaching a clinical milestone in February 2011.

Government funding for research costs is mostly composed of the research tax credit (1.7 million euros as at June 30, 2011 vs. 1.9 millions euros as at June 30, 2010). The evolution in the research tax credit results from the decrease of the eligible R&D expenses (as a result of additional subcontracting costs in the US) and from a change in the methodology of calculation of the tax credit.

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 ended June 30	
In thousands of euros	**2011**	**2010**
Research and development expenses	(6,469)	(7,179)
General and administrative expenses	(2,294)	(2,005)
Net operating expenses	**(8,763)**	**(9,184)**

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

The decrease in R&D expenses between the two periods under review (6.5 million euros for the six-month period ended June 30, 2011 vs. 7.2 million euros for the year-ago period, or -10%) mainly results from the absence in 2011 of manufacturing costs related to drug raw materials (0.6 million euros at June 30, 2010).

R&D expenses accounted for 74% of net operating expenses for the six-month period ended June 30, 2011 vs. 78% for the same year-ago period.

General and administrative ("G&A") expenses mostly comprises costs of the "support" staff as well as external expenses for the management and development of our business. The increase in these costs (2.3 million euros for the six-month period ended June 30, 2011 vs. 2.0 million euros for the six-month period ended June 30, 2010, or +14%) mainly results from the increase of the employee benefits other than share-based compensation (see below) as well as some advisory fees related to the deal signed with Bristol-Myers Squibb in July 2011 (see section "Key events since January 1, 2011").

G&A expenses accounted for 26% of net operating expenses for the six-month period ended June 30, 2011 vs. 22% for the six-month period ended June 30, 2010.

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	**2011**	**2010**
Costs of supplies and consumable materials	(902)	(1,491)
Intellectual property expenses	(258)	(446)
Other purchases and external expenses	(3,876)	(3,572)
Employee benefits other than share-based compensation	(3,183)	(3,014)
Share-based compensation	(10)	(20)
Depreciation and amortization	(525)	(489)
Other income and (expenses), net	(9)	(152)
Net operating expenses	**(8,763)**	**(9,184)**

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

- Costs of supplies and consumable materials: the decrease in these expenses between the two periods under review (0.9 million euros for the six-month period ended June 30, 2011 vs. 1.5 million euros for the six-month period ended June 30, 2010, or +40%) mainly results from the absence of manufacturing costs related to drug raw materials.
- Other purchases and external expenses: the increase in these expenses between the two periods under review (3.9 million euros vs. 3.6 million euros for the six-month period ended June 30, 2011 and 2010 respectively, or +8%) is mostly explained by the booking in 2011 of advisory fees related to the deal signed with Bristol-Myers Squibb and from the fees related to our Senior Advisor Finance (see section “Key events since January 1, 2011”).
- Employee benefits other than share-based compensation: the increase of these expenses between the two periods under review (3.2 million euros for the six-month period ended June 30, 2011 vs. 3.0 million euros for the period ended June 30, 2010, or +6%) is mostly explained by the rise of the collective and individual bonuses. Indeed, the percentage of completion of the collective and individual objectives is better than at June 30, 2010.

Balance sheet items:

Cash, cash equivalent and current financial instruments amounted to 29.7 million euros as at June 30, 2011, as compared to 34.6 million euros on December 31, 2010.

Since its inception in 1999, the Company has been primarily financed by issuing new securities. The Company also generated cash flow from its out-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 2.4 million euros on June 30, 2011, accounted as current or non-current financial liabilities. Among this amount, 1.2 million euros were initially refundable over the period 2017-2021 and were indeed classified as non-current financial liabilities at December 31, 2010. Following the signing of a licensing and collaboration agreement with Bristol-Myers Squibb in July 2011, this repayable funding will be reimbursed in March 2012. It has therefore been classified as a current financial liability at June 2011.

The other key balance sheet items as at June 30, 2011 were as follows:

- Receivables from the French government in relation to research tax credit of 1.7 million euros for the six-month period ended June 30, 2011.
- Shareholders' equity of 28.2 millions euros including the net loss for the period (5.2 millions euros).

Cash-flow items:

The net cash flow absorbed over the six-month period ended on June 30, 2011 amounted to 2.2 million euros, compared to a net cash flow generated by the operations of 10.1 million euros for the same year-ago period.

This change is mostly explained by the improvement of the working capital by 4.2 millions euros (the 2010 research tax credit was paid in June 2011 whilst the 2009 one was paid in July 2010), the sale of financial assets for 2.8 millions euros and the improvement of the net result by 1.5 millions 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 29, 2011.

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 30, 2011. They have been reviewed by the Supervisory Board of the Company on August 30, 2011. 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 19 to the Interim consolidated financial statements prepared in accordance with IAS 34.

Consolidated Interim Balance Sheet
(in thousands of euros)

	Note	June 30, 2011	December 31, 2010
Assets			
Current Assets			
Cash and cash equivalents	3	29,654	31,818
Current financial instruments	3	-	2,763
Current receivables	4	4,055	6,083
Total current assets		**33,709**	**40,664**
Non-current assets			
Non current receivables	5		
Property, plant and equipment	6	6,770	7,335
Associates and joint ventures	7	1,000	-
Other non-current assets		-	11
Total non-current assets		**7,770**	**7,346**
Total assets		**41,479**	**48,010**
Liabilities and equity			
Current liabilities			
Trade payables	8	5,797	6,660
Financial liabilities	9	2,078	701
Provisions		8	13
Total current liabilities		**7,883**	**7 ,374**
Non-current liabilities			
Financial liabilities	9	5,055	6,786
Defined benefit obligations	10	354	334
Total non-current liabilities		**5,409**	**7,120**
Capital and reserves attributable to equity holders of the Company			
Share capital	11	1,884	1,884
Share premium		108,207	108,173
Retained earnings		(76,654)	(63,225)
Net loss for the year or the period		(5,226)	(13,658)
Other comprehensive income		-	173
Foreign exchange		(24)	167
Total capital and reserves attributable to equity holders of the Company		**28,187**	**33,516**
Total liabilities and equity		**41,479**	**48,010**

Consolidated Interim Income Statement
(in thousands of euros)

	Note	6-month period ended June 30 2011	2010
Revenue from collaboration and licensing agreements	16	1,000	211
Other revenue		2,036	2,264
Operating revenue		**3,036**	**2,476**
Cost of supplies and consumable materials	12	(902)	(1,491)
Intellectual property expenses		(258)	(446)
Other purchases and external expenses	12	(3,876)	(3,572)
Employee benefits other than share-based compensation	13	(3,183)	(3,014)
Share-based compensation	14	(10)	(20)
Depreciation and amortization		(525)	(489)
Other income and (expenses), net	15	(9)	(152)
Net operating expenses		**(8,763)**	**(9,184)**
Operating income / (loss)		**(5,727)**	**(6,709)**
Financial income	16	401	255
Financial expenses	16	(289)	(276)
Net gain on de-recognition	1	390	-
Share of profit of associates and joint ventures	7	-	-
Income / (loss) before tax		**(5,226)**	**(6,730)**
Income tax expense		-	-
Net income / (loss)		**(5,226)**	**(6,730)**
Net income / (loss) per share attributable to the equity holders of the Company:			
(in € per share)			
- basic	20	(0.14)	(0.18)
- diluted	20	(0.14)	(0.18)