PRESS RELEASE

innate pharma

FINANCIAL RESULTS FOR THE FIRST HALF OF 2012

- Three-year cash horizon resulting from collaboration and licensing agreement with Bristol-Myers Squibb
- Significant advance of the IPH21 program with the regulatory authorization to start the first randomized Phase II clinical trial in acute myeloid leukemia

Marseilles, France, September 6, 2012

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 2012.

The key elements of Innate Pharma's financial results for the first half of 2012 are as follows:

- **Increase in revenue and other income to 7.7 million euros** (vs. 3.0 million euros during the six-month period ended on June 30, 2011), primarily from the collaboration agreement with Bristol-Myers Squibb and research tax credit;
- **Decrease in net loss amounting to 2.0 million euros** (vs. 5.2 million euros during the six-month period ended on June 30, 2011); with operating expenses of 9.9 million euros (vs. 8.8 million euros during the six-month period ended on June 30, 2011), of which approximately 80% is in research and development;
- **Cash, cash equivalents and current financial instruments of 37.7 million euros** at June 30, 2012, with 5.2 million euros in debt. Based on its current programs and without taking into account potential non-recurring revenue, the Company estimates that it has **sufficient cash to fund current operations into mid-2015.**

Notable events since January 1, 2012 highlighting advances in immunotherapy and innate immunity research included:

- **The innate immunity roundtable:** co-hosted by Bristol-Myers Squibb France and Innate Pharma in May in Paris, this roundtable with six internationally renowned clinicians and researchers including Bruce Beutler and Jules Hoffman, the 2011 Nobel Prize winners in Medicine, discussed advances in immunotherapy research and emphasized the significant therapeutic potential of immunotherapy and innate immunity for the treatment of cancer.

  For additional details please go to www.immunite-innee.com.

PRESS RELEASE

innate pharma

- **The publication in *Science*, a leading scientific journal, of a novel mechanism of regulation involving NKp46:** this important discovery in innate immunity, by Professor Eric Vivier and his team, was published in *Science*[1] in January. Innate Pharma and INSERM[2] co-own the intellectual property rights relating to this discovery.

  For additional details please see the press release

Post period event:

- On September 4, Innate Pharma announced that it had received **regulatory authorization to start a double-blind placebo-controlled randomized Phase II trial of IPH2102/BMS-986015** as maintenance treatment in elderly patients with Acute Myeloid Leukemia in first complete remission (study IPH2102-201, the "EffiKIR" trial). This trial, sponsored by Innate Pharma and led by the French AML cooperative groups, is the first randomized Phase II trial of the anti-KIR antibody.

Hervé Brailly, CEO of Innate Pharma, said: *"Innate Pharma is delivering on its announced clinical newsflow on time and with financial discipline. The start of the randomized Phase II clinical trial in AML marks another achievement for the Innate Pharma team. Our significant cash position allows us to maintain the momentum on all our programs."*

A meeting for fund managers, financial analysts and journalists
will be held today at ***8:30 am (CET) at the SFAF premises in Paris***
24, rue de Penthièvre, 75008

A conference call will be held today at 3:00 pm (CET)
Dial in number: +33 (0)1 70 77 09 41
A replay will be available until December 6, 2012
Dial in number: +33 (0)1 72 00 15 00
Access number: 278049#

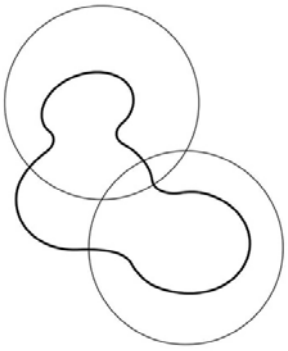
[1] **"**Tuning of Natural Killer Cell Reactivity by NKp46 and Helios Calibrates T Cell Responses**",** Ugolini, Vivier et al., *Science* 20 January 2012: 344-348.
[2] The French National Institute of Health and Medical Research

Key financial items:

The table below summarizes the IFRS consolidated financial statements for the six-month period ended June 30, 2012, with a comparison to the same period in 2011:

	6-month period ended June 30	
In thousands of euros, except for data per share	**2012**	**2011**
Revenue and other income	**7,719**	**3,036**
Research and development	(7,689)	(6,469)
General and administrative	(2,230)	(2,294)
Net operating expenses	**(9,919)**	**(8,763)**
Operating income (loss)	**(2,200)**	**(5,727)**
Financial income	513	401
Financial expenses	(159)	(289)
Net gain on de-recognition	-	390
Share of profit (loss) of associates and joint ventures	(174)	-
Net loss	**(2,021)**	**(5,226)**
Weighted average number of shares outstanding (in thousands)	37,687	37,687
Net loss per share	(0.05)	(0.14)

	June 30, 2012	December 31, 2011
Cash and cash equivalents	37,739	46,606
Total assets	55,817	60,109
Shareholders' equity	24,648	26,625
Total financial debt	5,195	6,770



PRESS RELEASE

innate pharma

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 license agreements with two major pharmaceutical companies, Novo Nordisk A/S and Bristol-Myers Squibb Company (NYSE:BMY).

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, 2012.

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.

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

ATCG Press
Marielle Bricman
Mob.: +33 (0)6 26 94 18 53
mb@atcg-partners.com

Interim Financial Statements and Notes

Operating revenue:

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

	6-month period ended June 30	
In thousands of euros	**2012**	**2011**
Revenue from collaboration and licensing agreements	5,365	1,000
Government funding for research expenditures	2,354	2,036
Revenue and other income	**7,719**	**3,036**

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

For the six-month period ended on June 30, 2012, revenue from collaboration and licensing agreements came from the licensing agreement signed with Bristol-Myers Squibb in July 2011. Following this agreement, the Company received an upfront payment of 24.9 million of euros (35.3 million U.S. dollars). This upfront payment is non-refundable and non-creditable, except for 3.5 million euros (5 million U.S. dollars) which could be creditable against future milestone payments. The non-refundable and non-creditable amount of the upfront is recognized in turnover during the expected period of duration of the clinical program in course at the date of the contract. The amount that is not yet recognized as turnover is booked as deferred revenue in the balance sheet (17.1 million euros at June 30, 2012). In addition to this payment, the Company invoiced back to Bristol-Myers Squibb the amount of its external costs recognized during the six month period ended on June 30, 2012 related to the licensed program.

Government funding for research costs is mostly composed of the research tax credit (2.1 million euros as at June 30, 2012 vs. 1.7 million euros as at June 30, 2011). This amount of 2.1 million euros includes a 0.3 million euros reassessment resulting from the tax audit that occurred in the six-month period ended June 30, 2012. The 2011 research tax credit should be cashed in by the end of the fiscal year.

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	**2012**	**2011**
Research and development expenses	(7,689)	(6,469)
General and administrative expenses	(2,230)	(2,294)
Net operating expenses	**(9,919)**	**(8,763)**

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 increase in R&D expenses between the two periods under review (7.7 million euros for the six-month period ended June 30, 2012 vs. 6.5 million euros for the same period last year, or +19%) mainly results from the rise of subcontracting costs related to the trial IPH2102. This is due to a higher number of patients recruited during the six-month period ended June 30, 2012 compared to the same period last year.

R&D expenses accounted for 78% of net operating expenses for the six-month period ended June 30, 2012 vs. 74% for the same year-ago period.

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 decrease in these costs (2.2 million euros for the six-month period ended June 30, 2012 vs. 2.3 million euros for the six-month period ended June 30, 2011, or -3%) mainly results from the fall of amortization expenses following the term of some fixed assets bought under finance lease.

G&A expenses accounted for 22% of net operating expenses for the six-month period ended June 30, 2012 vs. 26% for the same year-ago period.

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	**2012**	**2011**
Costs of supplies and consumable materials	(598)	(902)
Intellectual property expenses	(131)	(258)
Other purchases and external expenses	(5,382)	(3,876)
Employee benefits other than share-based compensation	(3,254)	(3,183)
Share-based compensation	-	(10)
Depreciation and amortization	(463)	(525)
Other income and (expenses), net	(91)	(9)
Net operating expenses	**(9,919)**	**(8,763)**

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 (0.6 million euros for the six-month period ended June 30, 2012 vs. 0.9 million euros for the six-month period ended June 30, 2011, or -34%) mainly results from the absence of manufacturing costs.
- Other purchases and external expenses: the increase in these expenses between the two periods under review (5.4 million euros vs. 3.9 million euros for the six-month period ended June 30, 2012 and 2011 respectively, or +39%) mainly results from the rise in subcontracting costs (+ 1.5 million euros). This is due to a higher number of patients recruited in the six-month period ended June 30, 2012 compared to the same year-ago period.
- Employee benefits other than share-based compensation: the increase of these expenses between the two periods under review (3.3 million euros for the six-month period ended June 30, 2012 vs. 3.2 million euros for the six month period ended June 30, 2011, or +2%) mainly results from the general and individual increase(s) of wages.

Balance sheet items:

Cash and cash equivalents amounted to 37.7 million euros as at June 30, 2012, as compared to 46.6 million euros as at December 31, 2011. During the six-month period ended on June 30, 2012, following the licensing agreement signed with Bristol-Myers Squibb related to the IPH21 program, the Company reimbursed a 1.2 million euros advance to Oséo. This advance was reimbursable in case of success. Cash and cash equivalents do not include the reimbursement of the 2011 research tax credit which will be cashed in during the second half year.

Since its incorporation in 1999, the Company has been primarily financed by issuing new securities and from revenue from its licensing activities (mostly in relation to the agreements with Novo Nordisk A/S and Bristol-Myers Squibb). The Company also generated cash from government financing for research expenditure and repayable advances (Oséo-Anvar). As at June 30, 2012, these repayable advances amount to 1.2 million euros booked in current and non-current financial liabilities.

The other key balance sheet items as at June 30, 2012 are as follows:

- Receivables from the French government in relation to research tax credit for the year 2011 (5.7 million euros) and the six-month period ended on June 30, 2012;
- Deferred revenue for 17.1 million euros related to the part of the initial payment from Bristol-Myers Squibb not yet recognized as turnover (including 9.1 million euros classified as 'Other non-current liabilities');
- Shareholders' equity of 24.6 million euros including the net loss for the period (2.0 million euros).

Cash-flow items:

The net cash flow absorbed over the six-month period ended on June 30, 2012 amounted to 8.9 million euros, compared to a net cash flow absorbed by the operations of 2.2 million euros for the same year-ago period.

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

- A loss of 2.0 million euros for the six-month period ended on June 30, 2012;
- A 4.9 million euros increase of the working capital including the recognition of a part of the upfront payment received from Bristol-Myers Squibb (booked as deferred revenue as at December 31, 2011);
- The reimbursement during the six-month period ended on June 30, 2012 of a 1.2 million euros advance to Oséo; and
- Purchases of fixed assets (mainly laboratory equipment) during the period under review for an amount of 0.9 million euros.

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 September 4, 2012. They have been reviewed by the Supervisory Board of the Company on September 4, 2012. They will not be submitted for approval to a general meeting of shareholders.

Risk factors:

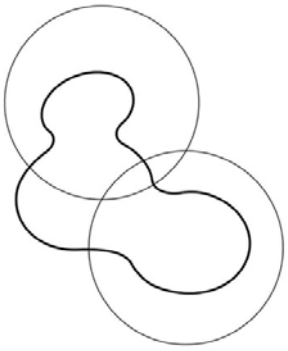
Risk factors identified by the Company are presented in paragraph 5 of the "Document de Référence" submitted to the French stock-market regulator, the "Autorité des Marchés Financiers", on April 26, 2012.

Related party transactions:

Transactions with related parties during the periods under review are disclosed in the Note 21 to the Interim consolidated financial statements prepared in accordance with IAS 24 revised.

Consolidated Interim Balance Sheet
(in thousands of euros)

	June 30, 2012	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	37,739	46,606
Current receivables	10,516	6,369
Total current assets	**48,255**	**52,975**
Non-current assets		
Intangible and tangible assets	6,890	6,442
Associates and joint ventures	672	692
Other non-current assets	-	-
Total non-current assets	**7,562**	**7,134**
Total assets	**55,817**	**60,109**
Liabilities		
Current liabilities		
Trade payables	16,423	13,221
Financial liabilities	1,284	2,273
Provisions	-	-
Total current liabilities	**17,707**	**15,494**
Non-current liabilities		
Financial liabilities	3,911	4,497
Defined benefit obligations	417	381
Other non-current liabilities	9,134	13,112
Total non-current liabilities	**13,462**	**17 990**
Capital and reserves attributable to equity holders of the Company		
Share capital	1,884	1,884
Share premium	108,492	108,449
Retained earnings	(83,861)	(76,881)
Net income (loss)	(2,021)	(6,980)
Other reserves	153	153
Total capital and reserves attributable to equity holders of the Company	**24,648**	**26,625**
Total liabilities and equity	**55,817**	**60,109**



PRESS RELEASE

innate pharma

Consolidated Interim Income Statement (in thousands of euros)

	6-month period ended June 30	
	2012	**2011**
Revenue from collaboration and licensing agreements	5,365	1,000
Government financing for research expenditures	2,354	2,036
Revenue and other income	**7,719**	**3,036**
Cost of supplies and consumable materials	(598)	(902)
Intellectual property expenses	(131)	(258)
Other purchases and external expenses	(5,382)	(3,876)
Employee benefits other than share-based	(3,254)	(3,183)
Share-based compensation	-	(10)
Depreciation and amortization	(463)	(525)
Other income and (expenses), net	(91)	(9)
Net operating expenses	**(9,919)**	**(8,763)**
Operating income (loss)	**(2,200)**	**(5,727)**
Financial income	513	401
Financial expenses	(159)	(289)
Net gain on de-recognition	-	390
Share of profit (loss) of associates and joint ventures	(174)	-
Net income (loss) before tax	**(2,021)**	**(5,226)**
Income tax expense	-	-
Net income (loss)	**(2,021)**	**(5,226)**
Net income (loss) per share attributable to the equity holders of the Company:		
(in € per share)		
- basic	(0,05)	(0.14)
- diluted	(0,05)	(0.14)