PRESS RELEASE

innate pharma

INNATE PHARMA REPORTS FIRST HALF 2019 FINANCIAL RESULTS AND BUSINESS UPDATE

- ***Initiation of multi-cohort IPH4102 Phase I I clinical trial (TELLOMAK)***
  - ***Sézary Syndrome cohort designed to be pivotal; preclinical data supports evaluating larger subsets of patients with T-cell lymphoma***
- ***Preliminary data expected in first half of 2020 from the second expansion cohort of monalizumab and cetuximab in immuno-oncology (IO)-pretreated recurrent and/or metastatic squamous cell carcinoma of the head and neck (R/M SCCHN) patients***
- ***Initiation of a third expansion cohort study of monalizumab and cetuximab to evaluate triple combination with an anti-PD(L)1 in patients with IO naïve head and neck cancer; preliminary data expected in the second half of 2020***
- ***Initiation of IPH5401 and durvalumab combination expansion cohorts in patients with IO-pretreated non-small-cell lung cancer (NSCLC) and IO-naïve hepatocarcinoma (HCC)***
- ***New clinical data for monalizumab and IPH5401 to be presented at upcoming medical conferences in 2019***
- ***Cash position €200.3m[1] (million euros) as of June 30, 2019***

Marseille, France, September 13, 2019, 7:00 AM CEST

Innate Pharma SA (the "Company" - Euronext Paris: FR0010331421 – IPH), today reports its consolidated financial results for the first six months of 2019. The financial statements are attached to this press release.

"*As Innate Pharma celebrates our 20th anniversary this month, we are proud to acknowledge our employees, patients, physicians, and other stakeholders who support our ambition to develop new oncology therapies for patients with high unmet medical need. We continue to deepen and mature our proprietary and partnered pipeline of assets to strengthen our broad and balanced portfolio,"* commented **Mondher Mahjoubi, Chief Executive Officer of Innate Pharma.** "*We are committed to continuing to invest and execute on our corporate, clinical and commercial strategy, which has recently been strengthened by the recruitment of new executive leadership. This will support our international expansion and execute on our long-term strategy to become a rare hemato-oncology focused commercial franchise."*

Webcast and conference call will be held today at 2:00pm (CEST)

Dial in numbers:

France and International: +33 (0)1 76 70 07 94 US only: +1 631 510 7495

PIN code: 5173329#

The Interim financial report, the presentation and access to the live webcast will be available on Innate Pharma's website 30 minutes ahead of the conference.

[1] Including short term investments (€15.6m) and non current financial instruments (€35.3m)

A replay will be available on Innate Pharma's website after the conference call.

Financial highlights of the first half of 2019:

The key elements of Innate Pharma's financial position and financial results as of and for the six-month period ended June 30, 2019 are as follows:

- Cash, cash equivalents, short-term investments and financial assets amounting to €200.3m[2] as of June 30, 2019 (€202.7m as of December 31, 2018), including non-current financial instruments amounting to €35.3m (€35.2m as of December 31, 2018). This follows receipt in January of €108.8m as the second and final payment associated with the signature of the agreement signed with AstraZeneca in October 2018, as well as the payment of $50m (or €43.8m) to AstraZeneca in relation to Lumoxiti agreement and additional considerations relating to monalizumab and anti-CD39, paid to Novo Nordisk A/S and Orega Biotech, for $15m (or €13.1m) and €7.0m, respectively.
    - As of June 30, 2019, financial liabilities amounted to €5.0m compared to €4.5m as of December 31, 2018.
- Revenue and other income of €59.2m for the six-month period ended June 30, 2019, as compared to €23.0m for the first half of 2018, restated, of which €51.6m result from revenue from collaboration and licensing agreements and €7.6m from research tax credit.
    - Revenue from collaboration and licensing agreements mainly result from to the spreading of the upfront payment from the agreements signed with AstraZeneca in April 2015 and October 2018, based on the completion of the work the Company is engaged to perform (€24.3m for monalizumab and €22.5m for IPH5201).
- Operating expenses of €45.9m compared to €37.9m for the first half of 2018, restated, of which 80% are related to research and development (R&D).
    - R&D expenses increased by €4.3m to €36.6m for the six month period ended June 30, 2019, as compared to €32.3m for the first half of 2018. This increase mainly results from an increase of €4.2m in amortization of intangible assets.
    - General and administrative (G&A) expenses increased by €3.7m to €9.3m for the six-month period ended June 30, 2019 as compared to €5.6m for the first half of 2018. This increase mainly results from the increase in non-scientific advisory expenses relating to fees incurred in connection with a potential capital raising activity.
- A net loss of €3.8m resulted from distribution agreement in the context of the the launch of Lumoxiti in the US performed by AstraZeneca.
- Net income for the first half of 2019 was €13.2m compared to a net loss of €15.1m for the first half of 2018 restated.

[2] million euros

The table below summarizes the IFRS consolidated financial statements as of and for the six-month period ended June 30, 2019, including 2018 comparative information.

In thousands of euros, except for data per share	June 30, 2019[1]	*June 30, 2018 restated[2]*
Revenue and other income	**59,155**	**22,996**
Research and development	(36,584)	(32,322)
General and administrative	(9,295)	(5,576)
Operating expenses	**(45,879)**	**(37,898)**
Net income (loss) from distribution	(3,820)	-
Operating income (loss)	**9,456**	**(14,902)**
Net financial income (loss)	3,784	(550)
Income tax expense	**-**	**333**
Net income (loss)	**13,240**	**(15,118)**
Weighted average number of shares outstanding (in thousands)	63,988	57,600
Basic income (loss) per share	0.21	(0.26)
Diluted income (loss) per share	0.20	(0.26)

	June 30, 2019[1]	December 31, 2018
Cash, cash equivalents and financial asset	200,274	202,712
Total assets	352,555	451,216
Shareholders' equity	181,266	167,240
Total financial debt	4,959	4,522

[1] The interim condensed consolidated financial statements as of and for the six months ended June 30, 2019 includes impacts of the first-time application of IFRS 16 that became applicable on January 1, 2019. The Company applied the modified retrospective transition method. Therefore 2018 comparative information has not been restated.

[2] The interim condensed consolidated statement of income (loss) for the six months ended June 30, 2018 includes corrective information relating to errors in the first application of IFRS 15 as of January 1, 2018, which have been identified and corrected by the Company in the course of the fourth quarter of 2018. See note 2.5 of the Interim Consolidated Financial Statements for more details.

Pipeline update:

Monalizumab (anti-NKG2A antibody), partnered with AstraZeneca:

- A first patient was dosed in a new third expansion cohort of the ongoing Phase Ib/II study (IPH2201-203). The expansion cohort will evaluate the safety and efficacy of monalizumab in a "triplet" combination therapy with a PD-(L)1 and cetuximab in patients with R/M SCCHN who have not received prior systemic regimens in the R/M setting and who have not received prior PD-(L)1 inhibitor (IO-naïve). Preliminary data are expected in the second half of 2020.

- The enrollment is ongoing for the second expansion cohort of monalizumab and cetuximab in patients with R/M SCCHN patients who have been prior exposed to PD-(L)1 inhibitor (IO-pretreated). Preliminary data are expected in the first half of 2020.

- Updated data from the first expansion cohort of monalizumab and cetuximab in R/M SCCHN patients will be presented at the ESMO 2019 Congress. Previous efficacy and translational data were presented at ESMO 2018 and SITC 2018.

IPH4102 (anti-KIR3DL2 antibody):

- A first patient was dosed in the TELLOMAK clinical trial, an international, open-label, multi-cohort Phase II study evaluating the efficacy and safety of IPH4102 in patients with different subtypes of T-cell lymphoma.

    - The TELLOMAK trial design and preclinical data supporting the potential of IPH4102 in PTCL were presented at the 2019 International Conference on Malignant Lymphoma (ICML) in June 2019.

    - The outcome of the first stage of the MF and PTCL cohorts is expected in the second half of 2020. Initial efficacy data are expected starting in 2021.

    - Study results from the Phase I dose-escalation and expansion trial of IPH4102 in advanced CTCL patients were published in The Lancet Oncology in June 2019.

IPH5401 (anti-C5aR antibody):

- The dose-escalation part of STELLAR-001, a Phase I study evaluating IPH5401 in combination with durvalumab for the treatment of patients with solid tumors, including NSCLC with secondary resistance to prior IO treatment and IO-naïve HCC is fully enrolled.

    - Data from the dose escalation will be presented at at the ESMO 2019 Congress. The Company expect to present translational data during the second half of 2019.

    - The Company expect to intiate the expansion cohorts to evaluate IPH5401 in combination with durvalumab in IO-pretreated NSCLC patients and the second expansion cohort in IO-naïve HCC patients.

Lumoxiti (CD22-directed immunotoxin):

- Lumoxiti is a first-in-class medicine approved in the US for adult patients with relapsed or refractory Hairy Cell Leukemia (HCL) who have received at least two prior systemic therapies, including treatment with a purine nucleoside analog. Lumoxiti is the first FDA-approved treatment for hairy cell leukemia in over 20 years.
    - Following our in-licensing of Lumoxiti in the United States and the European Union from AstraZeneca, we are leveraging AstraZeneca's capabilities to advance commercialization efforts through an ongoing transition period while we build our commercial organization. We are establishing specialized medical and commercial teams in the US and are scheduled to transition to full commercialization responsibilities by mid-2020.

Various Preclinical:

- AstraZeneca selected four molecules from Innate's preclinical portfolio to be subject to an exclusive license option per the October 23, 2018 transaction terms. Selected molecules include IPH43, an anti-MICA/B antibody drug conjugate program, and the anti-Siglec 9 antibody program. Two other programs are undisclosed: a multi-specific NKp46 NK-cell engager and IPH25, a checkpoint inhibitor.
- New preclinical data from the Company's next generation immunotherapies were published in peer-reviewed scientific journals and showcased in a presentation by Pr. Eric Vivier, CSO, at the 2019 American Association for Cancer Research (AACR) Meeting:
    - Potential first-in-class NKp46 NK cell engagers (NKCEs), a new generation of multifunctional antibody-based molecules for fighting cancer were published in *Cell* in May 2019 (Gauthier et al., Multifunctional natural killer cell engagers targeting NKp46 trigger protective tumor immunity).
    - Two new monoclonal antibodies, IPH5201 and IPH5301, that target CD39 and CD73, respectively, to inhibit the adenosine pathway and promote activation of the immune system against cancer were published in *Cell Reports* in May 2019 (Perrot et al., Blocking antibodies targeting the CD39/CD73 immunosuppressive pathway unleash immune responses in combination cancer therapies).
    - New data presented at AACR demonstrate that a combination of our anti-CD39 monoclonal antibody, IPH5201, and ATP-inducing oxaliplatin had a synergistic effect that improved the control of tumor growth in a preclinical mouse model.
    - IPH5301 (anti-CD73) - new data from a crystal structure of the CD73/IPH5301 complex, supporting a model for the differentiated mode of action of IPH5301 and enhanced efficacy compared to competitors, were presented at AACR 2019.

Corporate Update:

- Frédérique Brune was appointed as a member of our Executive Committee on July 1, 2019 as VP Development, CMC and Supply Chain, after previously serving as our Senior Director of Development, CMC and Pharmaceutical Operations since March 2017. Prior to joining us, Ms. Brune served as Quality Director of Bioproduction at LFB-Biotechnologies from March 2016 to March 2017. From September 2007 to March

2016, she worked as Director of Development programs as well as Interim Head Pharmacist at LFB-Biotechnologies. Prior to LFB-Biotechnologies, Ms. Brune served in various roles and responsibilities from 2001 to 2007 at Pierre Fabre Research Institute, including as Analytical Development and Quality Control Director, Pharmacist delegate and Program Director. Ms. Brune graduated from the faculty of Pharmacy Paris XI and holds a Master of Science in Experimental and Clinical Pharmacology from University Paris VI.

- Tracy Rossin was appointed as a member of our Executive Committee on September 12, 2019 as Vice President, Global Head of Communications of the Company. Ms. Rossin brings more than 20 years of strategic communications experience to Innate, including 12 years at AstraZeneca/MedImmune, where she held multiple U.S. and global communications roles, including two European assignments, for key therapeutic areas across AstraZeneca's portfolio. Most recently, she was Head of Corporate Affairs at MedImmune, managing the company's communications functions, including supporting early-stage oncology biologic communications.

Post period event:

- On July 31, 2019, the Company notified to AstraZeneca its decision to co-fund the potential future monalizumab Phase III clinical development program.
- On August 30, 2019, the Company drew down the remaining portion of the €15.2 million loan granted in July 2017 by Société Générale, for an amount of €13.9 million. The loan amounted to €1.3 million as of June 30, 2019. The repayment schedule will begin on August 30, 2019.

About Innate Pharma:

Innate Pharma S.A. is a commercial stage oncology-focused biotech company dedicated to improving treatment and clinical outcomes for patients through therapeutic antibodies that harness the immune system to fight cancer.

Innate Pharma's commercial-stage product, Lumoxiti, in-licensed from AstraZeneca, was approved by the FDA in September 2018. Lumoxiti is a first-in class specialty oncology product for hairy cell leukemia (HCL). Innate Pharma's broad pipeline of antibodies includes several potentially first-in-class clinical and preclinical candidates in cancers with high unmet medical need.

Innate has been a pioneer in the understanding of NK cell biology and has expanded its expertise in the tumor microenvironment and tumor-antigens, as well as antibody engineering. This innovative approach has resulted in a diversified proprietary portfolio and major alliances with leaders in the biopharmaceutical industry including Bristol-Myers Squibb Novo Nordisk A/S, Sanofi, and a multi-products collaboration with AstraZeneca.

Based in Marseille, France, Innate Pharma 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
LEI	9695002Y8420ZB8HJE29

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 French Financial Markets Authority ("AMF"), which is available on the AMF website 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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Summary of Interim Condensed Consolidated Financial Statements and Notes as of June 30, 2019

Interim Condensed Consolidated Statements of Financial Position
(in thousand euros)

	June 30, 2019[1]	December 31, 2018
Assets		
Cash and cash equivalents	149,376	152,314
Short-term investments	15,578	15,217
Trade receivables and others	51,724	152,112
Total current assets	**216,678**	**319,643**
Intangible assets	87,881	84,529
Property and equipment	11,398	10,216
Non-current financial assets	35,320	35,181
Other non-current assets	87	86
Deferred tax assets	1,191	1,561
Total non-current assets	**135,877**	**131,574**
Total assets	**352,555**	**451,216**
Liabilities		
Trade payables and others	28,183	91,655
Collaboration liabilities – Current portion	21,888	20,987
Financial liabilities – Current portion	1,722	1,347
Deferred revenue – Current portion	42,267	82,096
Provisions – Current portion	489	652
Total current liabilities	**94,549**	**196,737**
Collaboration liabilities – Non current portion	5,950	10,669
Financial liabilities – Non-current portion	3,237	3,175
Defined benefit obligations	4,809	3,697
Deferred revenue – Non-current portion	61,368	68,098
Provisions – Current portion	182	38
Deferred tax liabilities	1,191	1,561
Total non-current liabilities	**76,739**	**87,238**
Share capital	3,203	3,197
Share premium	301,629	299,932
Retained earnings	(134,911)	(137,840)
Net income (loss)	13,240	3,049
Other reserves	(1,895)	(1,099)
Total shareholders' equity	**181,266**	**167,240**
Total liabilities and shareholders' equity	**352,555**	**451,216**

[1] The condensed interim consolidated financial statements as of and for the six-month period ended June 30, 2019 include the impacts of the first application of IFRS 16 standard that became applicable on January 1, 2019. The Company applied the modified retrospective transition method. Therefore

2018 comparative information has not been restated. See Note 2.4 of the Interim Financial Report 2019 for more details on the impact of the transition.

Interim Condensed Consolidated Statements of Income (loss)

(in thousand euros)

	June 30, 2019[1]	June 30, 2018 restated[2]
Revenue from collaboration and licensing agreements	51,588	16,209
Government financing for research expenditures	7,567	6,787
Revenue and other income	**59,155**	**22,996**
Research and development expenses	(36,584)	(32,322)
General and administrative expenses	(9,295)	(5,576)
Operating expenses	**(45,879)**	**(37,898)**
Net income (loss) from distribution agreements	(3,820)	-
Operating income (loss)	**9,456**	**(14,902)**
Financial income	5,717	4,198
Financial expenses	(1,933)	(4,748)
Net financial income (loss)	**3,784**	**(550)**
Net income (loss) before tax	**13,240**	**(15,452)**
Income tax expense	-	333
Net income (loss)	**13,240**	**(15,118)**
Net income (loss) per share:		
(in € per share)		
- basic income (loss) per share	0.21	(0.26)
- diluted income (loss) per share	0.20	(0.26)

[1] The interim consolidated financial statements as of and for the six-month period ended June 30, 2019 include the impacts of the first application of IFRS 16 standard that became applicable on January 1, 2019. The comparative consolidated financial statements as of and for the year ended December 31 2018 have not been restated. See Note 2.4 of the Interim Financial Report 2019 for more details on transition measures.

[2] The interim condensed consolidated statement of income (loss) for the six months ended June 30, 2018 include corrective information relating to errors in the first application of IFRS 15 as of January 1, 2018, which have been identified and corrected by the Company in the course of the fourth quarter of 2018. See note 2.5 of the Interim Consolidated Financial Statements for more details.

Interim Condensed Consolidated Statements of Cash Flows

(in thousand euros)

	June 30, 2019 (1)	June 30, 2018 Restated (2)
Net income (loss)	**13,240**	**(15,118)**
Depreciation and amortization	6,826	2,439
Employee benefits costs	318	225
Provisions for charges	(70)	(823)
Share-based compensation expense	1,975	1,065
Change in valuation allowance on financial assets	(2,308)	1,432
Gains (losses) on financial assets	(90)	(1,022)
Change in valuation allowance on financial assets	(101)	(186)
Gains on assets and other financial assets	(1,069)	(906)
Net interest paid	44	55
Other profit or loss items with no cash effect	(317)	181
Operating cash flow before change in working capital	**18,448**	**(12,658)**
Change in working capital	41,187	(21,269)
Net cash generated from / (used in) operating activities:	**59,635**	**(33,927)**
Acquisition of intangible assets, net	(64,130)	(343)
Acquisition of property and equipment, net	(738)	(709)
Disposal of property and equipment	-	10
Disposal of other assets	1	26
Purchase of non-current financial instruments	2,000	14,874
Interest received on financial assets	1,069	906
Net cash generated from / (used in) investing activities:	**(61,798)**	**14,764**
Proceeds from the exercise / subscription of equity instruments	1	-
Repayment of borrowings	(729)	(630)
Net interest paid	(44)	(55)
Net cash generated from financing activities:	**(772)**	**(685)**
Effect of the exchange rate changes	(3)	(17)
Net increase / (decrease) in cash and cash equivalents:	**(2,938)**	**(19,865)**
Cash and cash equivalents at the beginning of the year:	152,314	99,367
Cash and cash equivalents at the end of the six-	**149,376**	**79,502**

months period:

(1) The interim condensed consolidated statement of cash flows for the six months ended June 30, 2019 includes impacts of the first-time application of IFRS 16 that became applicable on January 1, 2019.The Company applied the modified retrospective transition method. Therefore 2018 comparative information has not been restated. See note 2.4 for more details on the impact of the transition.

(2) The interim condensed consolidated statement of cash flow for the six months ended June 30, 2018 includes corrective information, see note 2.5 for more details.

Revenue and other income

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

In thousands of euro	June 30, 2019	June 30, 2018 restated
Revenue from collaboration and licensing agreements	51,588	16,209
Government financing for research expenditures	7,567	6,787
Revenue and other income	**59,155**	**22,996**

Revenue from collaboration and licensing agreements

Revenues from collaboration and licensing agreements increased by €35.4 million, to €51.6 million for the six months ended June 30, 2019, as compared to revenues from collaboration and licensing agreements of €16.2 million as restated for the six months ended June 30, 2018. These revenues mainly result from to the spreading of the initial payment from the agreements signed with AstraZeneca in April 2015 and October 2018, based on the completion of the work the Company is engaged to perform.

Revenue related to monalizumab increased by €8.2 million, or 51.3%, to €24.3 million for the six months ended June 30, 2019, as compared to €16.1 million as restated for the six months ended June 30, 2018. This change is primarily due to (i) AstraZeneca's payment to us of $100.0 million for the exercise of its option in October 2018, which resulted in incremental revenue of €2.9 million in the six months ended June 30, 2019 and (ii) an increase of €5.3 million of revenue recognized in the period based on the percentage of completion of development work. As of June 30, 2019, the deferred revenue related to monalizumab is €80.8 million (€36.9 million as "Deferred revenue—Current portion" and €43.9 million as "Deferred revenue—Non-current portion").

Revenue related to IPH5201 for the six months ended June 30, 2019 was €22.5 million compared to nil for the six months ended June 30, 2018, based on the recognition of the $50.0 million non-refundable upfront payment received from AstraZeneca in October 2018. As of June 30, 2019, the amount not yet recognized in revenue amounted to €5.4 million, classified as "Deferred revenue—Current portion".

Revenue from invoicing of research and development costs for the six months ended June 30, 2019 was €4.4 million compared to €0.2m for the six months ended June 30, 2018. Pursuant to our agreements with AstraZeneca, clinical costs for the ongoing Phase I trial of IPH5401 in combination with durvalumab are equally shared between us and AstraZeneca and research and development costs related to IPH5201 are fully borne by AstraZeneca, resulting in periodic settlement invoices.

Government funding for research expenditures

Government financing for research expenditures increased by €0.8 million, or 11.5%, to €7.6 million for the six months ended June, 2019, as compared to €6.8 million the six months ended June, 2018. This change is primarily a result of an increase in the research tax credit of €1.3 million, which is mainly due to an increase in amortization of the monalizumab intangible asset following an additional consideration due to Novo Nordisk A/S in 2018 and an amortization expense of the IPH5201 intangible asset from October 2018. The increase in the research tax credit was partially offset by a decrease of €0.5 million in other revenue from grants.

The research tax credit is calculated as 30% of the amount of research and development expenses, net of grants received, eligible for the research tax credit for the six months ended June 30, 2019 and 2018. The research tax credit is generally reimbursed by the French government three years after the fiscal year for which it is determined. However, since 2011, companies that meet the definition of small and medium sized enterprises ("SMEs") according to the European Union criteria are eligible for early reimbursement of their research tax credit receivable. According to Management forecasts, Innate's status of SME is expected to be lost at the end of the fiscal year 2019.

Operating expenses

The table below presents our operating expenses for the six months ended June 30, 2019 and 2018.

In thousands of euros	June 30, 2019	June 30, 2018 restated
Research and development expenses	(36,584)	(32,322)
General and administrative expenses	(9,295)	(5,576)
Operating expenses	**(45,879)**	**(37,898)**

Research and development expenses

Research and development expenses increased by €4.3 million, or 13.2%, to €36.6 million for the six months ended June 30, 2019, as compared to research and development of €32.3 million for the six months ended June 30, 2018. Research and development expenses represented a total of 79.7% and 85.3% of the total operating expenses for the six months ended June 30, 2019 and 2018, respectively. Our research and development expenses in the periods presented primarily relate to activities for monalizumab, IPH4102, IPH5401 and IPH5201.

Personnel expenses including share-based compensation to our employees and consultants increased by €0.9 million, or 13.3%, to €7.8 million for the six months ended June 30, 2019, as compared to €6.9 million for the six months period ended June 30, 2018. This variance is the cumulative impact of the rise in wages and salaries (€0.5 million) and share-based compensation (€0.4 million). As of June 30, 2019, we had 157 employees in research and development functions, compared to 150 employees as of June 30, 2018.

Depreciation and amortization increased by €4.2 million, or 189.9%, to €6.3 million for the six months period ended June 30, 2019, as compared to €2.2 million for the six months period ended June 30, 2018. This rise mainly relates to the additional consideration paid to Novo

Nordisk A/S for monalizumab and the amortization of IPH5201 and Lumoxiti intangible assets from October 2018.

General and administrative expenses

General and administrative expenses increased by €3.7 million, or 66.7%, to €9.3 million for the six months ended June 30, 2019, as compared to general and administrative expenses of €5.6 million for the six months ended June 30, 2018. General and administrative expenses represented a total of 20.3% and 14.7% of the total operating expenses for the six months ended June 30, 2019 and 2018, respectively.

Personnel expenses includes the compensation paid to our employees and consultants, and increased by €1.1 million, or 34.8%, to €4.1 million for the six months ended June 30, 2019, as compared to personnel expenses of €3.0 million for the six months ended June, 2018. This increase results from rises in share-based payments and wages and salaries (€0.5 million each). As of June 30, 2019, we had 43 employees in general and administrative functions, compared to 39 employees as of June 30, 2018.

Non-scientific advisory and consulting expenses mostly consist of auditing, accounting, taxation and legal fees as well as consulting fees in relation to business strategy and operations and hiring services. Non-scientific advisory and consulting expenses increased by €1.3 million, or 115.6%, to €2.3 million for the six months ended June 30, 2019 as compared to €1.1 million for the six months ended June 30, 2018, notably resulting from fees relating to fees incurred in connection with potential capital raising activities.

Other expenses are related to intellectual property, maintenance costs for laboratory equipment and our headquarters, depreciation and amortization and other general and administrative expenses.

Net income (loss) from distribution agreements

When product sales are performed by a partner in the context of collaboration or transition agreements, the Company must determine if the partner acts as an agent or a principal. The Company concluded that AstraZeneca acts as a principal in the context of the production and commercialization of Lumoxiti. Consequently, the global inflows and outflows received from or paid to AstraZeneca are presented on a single line in the statement of income of Innate Pharma. This amount does not include the research and development costs which are recognized as R&D operating expenses.

We recognized a net loss of €3.8 million from the Lumoxiti distribution agreement in the six months ended June 30, 2019, which reflected revenue from sales of Lumoxiti in the period, less administrative and selling expenses associated with the sales revenue allocated to us in the context of its launch in the United States.

Financial results

Net financial income increased by €4.3 million to a €3.8 million income for the six months ended June 30, 2019, as compared to a €0.6 million loss for the six months ended June 30, 2018.

For the six months ended June 30, 2019 and 2018, the foreign exchange gains and losses mainly result from the variance of the exchange rate between the Euro and the U.S. dollar on U.S. dollar-denominated cash and cash equivalents and financial assets. Unrealized losses on financial assets relate to unquoted instruments.

Balance sheet items

Cash, cash equivalents, short-term investments and financial assets (current and non-current) amounted to €200.3m as of June 30, 2019, as compared to €202.7m as of December 31, 2018. Net cash as of June 30, 2019 (cash, cash equivalents and current financial assets less current financial liabilities) amounted to €163.2m (€166.2m as of December 31, 2018). Cash and cash equivalents do not include the reimbursement of the 2018 research tax credit which was collected during in July 2019 (€13.5m).

The other key balance sheet items as of June 30, 2019 are:

- Deferred revenue of €80.8m (including €44.0m booked as 'Deferred revenue – non-current portion') and collaboration liabilities of €27.8m (including €6.0m booked as 'Collaboration liability – non current portion') relating to the remainder of the initial payment from AstraZeneca not yet recognized as revenue or used to co-fund AstraZeneca's part of the work on monalizumab;
- Deferred revenue of €17.4m relating to the initial payment for preclinical molecules, entirely classified as 'Deferred revenue – non-current portion' and €5.4m relating to the remainder of the initial payment relating to IPH5201, entirely classified as 'Deferred revenue – current portion';
- Intangible assets for a net book value of €87.9m, mainly corresponding to the rights and licenses relating to the acquisitions relating to the monalizumab, IPH5201, IPH5401 and Lumoxiti programs;
- Receivables from the French government in relation to the research tax credit for 2018 and the six-month period ended June 30, 2019 (€21.0m, of which €13.5m relating to the fiscal year 2018 which was collected in July 2019);
- Shareholders' equity of €181.3m including the net income for the period (€13.2m);
- At the same date, the financial liabilities amounted to €5.0m (€4.5m as of December 31, 2018).

Cash-flow items

The net cash flow consumed over the six-month period ended June 30, 2019 amounted to €2.9m, compared to a net consumption of €19.9m for the same year-ago period.

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

- Net cash generated from operating activities of €59.6m, mainly resulting from the proceeds relating to the agreements signed with AstraZeneca in October 2018;
- Net cash used in investing activities for an amount of €61.8m, mainly resulting from the payment to AstraZeneca relating to the acquisition of Lumoxiti ($50.0m or €43.8m), a payment to Novo Nordisk A/S following the exercise to the option to monalizumab by AstraZeneca ($15.0m or €13.1m) and a payment to Orega Biotech for the anti-CD39 program (€7.0m);

- Net cash used in financing activities for an amount of €0.8m, mainly resulting from the reimbursement of financial liabilities (principal and interest).

Post period event

On July 31, 2019, the Company notified to AstraZeneca its decision to co-fund the monalizumab Phase III clinical development program.

On August 30, 2019, the Company drew down the remaining portion of the €15.2 million loan granted in July 2017 by Société Générale, for an amount of €13.9 million. The loan amounted to €1.3 million as of June 30, 2019. The repayment schedule will begin on August 30, 2019.

Nota

The interim consolidated financial statements for the six-month period ended June 30, 2019 have been subject to a limited review by our Statutory Auditors and were approved by the Executive Board of the Company on September 12, 2019. They were reviewed by the Supervisory Board of the Company on September 12, 2019. 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 1.9 of the registration document ("Document de Référence") submitted to the French stock-market regulator, the "Autorité des Marchés Financiers", on April 30, 2019 (AMF number D.19-0444). 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 registration document available on the internet website of the Company. Not only may these risks and uncertainties occur during the six months remaining in the financial year but also in the years to come.

Related party transactions

Transactions with related parties during the periods under review are disclosed in Note 19 to the interim condensed consolidated financial statements prepared in accordance with IAS 34 .

No material transaction was concluded with a member of the executive committee or the Supervisory Board following the date of the 2018 registration document.