PRESS RELEASE

innate pharma

FINANCIAL RESULTS FOR THE FIRST HALF OF 2009: SIGNIFICANT INVESTMENT IN CLINICAL PROGRAMS AND CASH POSITION REINFORCED

- ***Publication of important clinical data for IPH 1101 and IPH 2101, Innate Pharma's two lead drug candidates.***
- ***Increase in operational loss, explained notably by the contractual end of the R&D collaboration agreement with Novo Nordisk A/S.***
- ***Cash position reinforced through the early refund of €10.4m in research tax credit; cash runway into 2011.***

Marseilles, August 31, 2009

Innate Pharma SA (the "Company" - Euronext Paris: FR0010331421 – IPH) announces today its financial results for the first half of 2009. The key financial elements for the half-year results are as follows:

- **Operating loss amounted 7.9 million euros in the first half of 2009,** compared to 4.9 million euros in the same period last year.

  This results from (i) a decrease in operating revenue (5.2 million euros for the first-half of 2009 vs. 7.0 million euros for the same period in 2008) following the contractual end (in March 2009) of the 3-year R&D collaboration agreement signed with Novo Nordisk A/S in 2006 and (ii) an increase in net operating expenses (13.1 million euros for the first-half of 2009 vs. 11.9 million euros for the same period in 2008), mostly explained by a non-cash share-based payment expense (1.7 million euros compared to 0.8 millions euros over the same period last year).

  Expenses for clinical development represented a total of 6.2 million euros for the first-half of 2009, to be compared with 3.7 million euros for the same period in 2008. Increase in clinical investments is notably explained by the costs of the Phase I clinical trials with IPH 2101, for which rights were acquired back in late 2008.

- **A positive cash flow from the operations** (2.4 million euros in the first-half of 2009) in the context of the early repayment of 10.4 million euros in research tax.

  The Company has increased its cash, cash equivalent and current financial instruments to 36.1 million euros as at June 30, 2009. A the same date, it had 8.3 million in financial debt, of which 4.9 millions euros related to real estate long term lease-financing.

  The Company estimates to have enough cash to go into 2011 on the basis of its current business plan.

The key events since January 1, 2009 were as follows:

- Publication of positive results of the Phase IIa with IPH 1101 as a single agent in type C viral hepatitis. The Company is now working on the next Phase II trial in combination with standard-of-care.
- Publication of the preliminary results of the Phase I clinical trials with IPH 2101 in acute myeloid leukemia and multiple myeloma demonstrating a very good tolerance for the product.
- Approval from the French regulatory authorities to start a Phase II trial with IPH 2101 as a single agent in multiple myeloma patients; Grant of a 2.9 million euros support from the French innovation agency Oséo for the trial.
- Operational start of Platine, an immuno-monitoring platform jointly developed with Transgene, ImmunID[1] and other academic partners.
- Achievement of a pre-clinical milestone with IPH 24, a novel antibody program developed in collaboration with Novo Nordisk A/S and licensed to the latter.
- Signature of a commercial and collaboration agreement with Vivalis for the development of one of the Company's antibodies, IPH 4101, using Vivalis' technology; Grant of a 3.7 million euros support from the French innovation agency Oséo for the project.

In addition, during the first half of 2009, the Company reinforced its management team with the appointment of Dr. Marcel Rozencweig as Senior Vice President, Clinical and Regulatory Strategy, based in the United States.

As part of its measures so as to rationalize its organisation, the Company has decided to close its facilities in Lyon-Dardilly as at the end of August 2009. Personnel of this site were partly relocated to Marseilles (for the TLR research) and partly to the Company's fully-owned subsidiary, IPH Services SAS, based in Lyon and dedicated to the Platine platform.

Outlook for the second half of 2009:

- Publication of interim results for the Phase I/II clinical trial with IPH 1101 in combination with rituximab in follicular non-Hodgkin's lymphoma at the ESMO (European Society for Medical Oncology) meeting in Berlin, Germany (September 19 to 21, 2009).
- Publication of final results for the Phase I/II clinical trial with IPH 1101 in combination with rituximab in follicular non-Hodgkin's lymphoma and for the Phase IIa clinical trial with IPH 1101 in chronic myeloid leukemia.
- Publication of final results for the Phase I clinical trials with IPH 2101 in acute myeloid leukemia and multiple myeloma.

[1] Transgene is a biopharmaceutical company dedicated to the development of immunotherapeutic products in oncology and infectious diseases. ImmunID is a company leader in combinatorial immune repertoire analysis.

"*The last months have been very important for us in terms of clinical development. We have reached an important step in our history, with the proof-of-concept for our most advanced drug candidate in an infectious indication, and a second proprietary candidate, our first monoclonal antibody, entering Phase II clinical trials."* said Hervé Brailly, CEO of Innate Pharma. He added: *"We expect a significant newsflow in the second part of the year and notably additional Phase II data with IPH 1101".*

"*Our financials results are in line with our budget. We have made significant investment in clinical programs and are expecting to continue to do so".* said Stéphane Boissel, EVP and CFO of Innate Pharma. He added: "*Our cash position will enable us to run our current business plan into 2011".*

A slide presentation detailing the key elements of the 2009 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 2009 are as follows:

- **Operating loss amounted to 7.9 million euros in the first half of 2009**, compared to 4.9 million euros in the same period last year. This results from a decrease in operating revenue (5.2 million euros for the six-month period ending June 30, 2009 vs. 7.0 million euros for the six-month period ending June 30, 2008) and an increase in net operating expenses (13.1 million euros for the six-month period ending June 30, 2009 vs. 11.9 million euros for the six-month period ending June 30, 2008).
- **A positive cash flow from the operations** (2.4 million euros in the six-month period ended June 30, 2009) in the context of the early repayment of 10.4 million euros in research tax credit, strengthening the balance sheet situation: 36.1 million euros in cash, cash equivalent and current financial instruments as at June 30, 2009, and 8.3 million in financial debt, of which 4.9 millions euros is related to long term lease-financing. The Company estimates to have enough cash to go into 2011 on the basis of its current business plan.

The table below summarizes the IFRS consolidated financial statements for the six-month period ending June 30, 2009, with a comparison to the same period in 2008:

	6-month period ended June 30	
In thousands of euros, except for data per share	2008 IAS 38 restatement (1)	2009
Operating revenue	**7,024**	**5,159**
Research and development	(9,279)	(9,753)
General and administrative	(2,663)	(3,311)
Net operating expenses	**(11,942)**	**(13,064)**
Operating income (loss)	**(4,918)**	**(7,904)**
Interest income / (expenses), net	**606**	**(42)**
Net loss	**(4,312)**	**(7,946)**
Average number of shares outstanding (in thousand)	**25,418**	**25,912**
Net loss per share	**(0.17)**	**(0.31)**

	December 31, 2008 IAS 38 restatement	June 30, 2009
Cash, cash equivalents and current financial instruments	**33,832**	**36,074**
Total assets	**57,288**	**49,207**
Shareholders' equity	**37,767**	**31,823**
Total financial debt	**8,534**	**8,347**

(1) Following the amendment of IAS 38, intangible assets, applicable to financial period beginning on or after January 1, 2009, the Company changed its accounting policy in relation to the recognition of purchases of materials dedicated to its research and development activities.

Operating revenue

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

	6-month period ended June 30	
In thousands of euros	2008 IAS 38 restatement	2009
Revenue from collaboration and licensing agreements	4,417	2,590
Government funding for research expenditures	2,591	2,507
Other revenue	16	62
Operating revenue	**7,024**	**5,159**

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

For the six-month period ending on June 30, 2008 and 2009, revenue from collaboration and licensing agreements mostly came from the strategic partnership signed with Novo Nordisk A/S in March 2006 on the NK platform of the Company.

The revenue from this partnership for the six-month period ending on June 30, 2009 consists of:

- Research and development financing for three months, from January to March 2009.
- A lump sum payment at the time of the signing of the agreement, fully paid in 2006 but spread from an accounting standpoint over three years, the duration of the research and development stage of the agreement (three months impact for the period from January to March 2009).
- A payment related to a pre-clinical milestone successfully achieved in January 2009 with IPH 24, a new program licensed to Novo Nordisk A/S.

Although 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. This additional research and development financing is expected to last until the end of 2009.

Government funding for research costs is mostly composed of the research tax credit. The increase in research and development expenses between the two periods under review resulted in the increase of the research tax credit: 2.1 million euros for the six-month period ending June 30, 2009 vs. 2.0 million euros for the 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	2008 IAS 38 restatement	2009
Research and development expenses	(9,279)	(9,753)
General and administrative expenses	(2,663)	(3,311)
Net operating expenses	**(11,942)**	**(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 difference in R&D expenses between the two periods under review (9.8 million euros for the six-month period ending June 30, 2009 vs. 9.3 million euros for the year-ago period, or +5.1%) reflects notably the continuing effort in the R&D activities but also results from a non cash impact of free shares already distributed in 2008 to R&D employees but for which vesting conditions were accelerated in early 2009 (non-cash expense of 0.7 million euros in the first half of 2009, compared to 0.4 million euros for the year-ago period).

Expenses for clinical development represented a total of 6.2 million euros for the six-month period ending June 30, 2009, or 64% of the R&D costs, to be compared with 3.7 million euros for the same year-ago period, or 41% of the R&D costs.

R&D expenses accounted for 75% of net operating expenses for the six-month period ending June 30, 2009 vs. 77% for the 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 3.3 million euros for the six-month period ending June 30, 2009 vs. 2.7 million euros for the six-month period ending June 30, 2008, a difference mostly related to the non cash impact of free shares already distributed in 2008 to G&A employees but for which vesting conditions were accelerated in early 2009 (non-cash expense of 1.0 million euros in the first half of 2009, compared to 0.3 million euros for the year-ago period).

G&A expenses accounted for 25% of net operating expenses for the six-month period ending June 30, 2009 vs. 23% for the six-month period ending June 30, 2008.

Net operating expenses, by nature

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

In thousands of euros	6-month period ended June 30 2008 IAS 38 restatement	2009
Costs of supplies and consumable materials	(1,237)	(1,065)
Intellectual property expenses	(322)	(440)
Other purchases and external expenses	(5,613)	(5,751)
Employee benefits other than share-based compensation	(3,360)	(3,323)
Share-based compensation	(965)	(1,747)
Depreciation and amortization	(258)	(512)
Other income and (expenses), net	(187)	(225)
Net operating expenses	**(11,942)**	**(13,064)**

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

- Costs of supplies and consumable materials: as at June 30, 2009, the Company changed its accounting policy related to R&D materials (drug substances, drug products and research materials) to expense them when received. Under the previous accounting policy, the Company treated them as prepayment at the time of their purchase and as expenses when consumed (please refer to the following note related to the change in accounting policy). The 2008 accounts were restated to reflect this change. The costs of supplies and consumable materials line item has decreased between the two periods under review as the result of a decrease in consumption of laboratory materials.
- Other purchases and external expenses: the increase in these expenses between the two periods under review (5.8 million euros vs. 5.6 million euros for the six-month period ending June 30, 2009 and 2008 respectively, or +2.5%) is notably explained by an increase in costs of sub-contracted clinical operations, notably related to IPH 2101, acquired back in late 2008 from Novo Nordisk A/S.
- Employee benefits other than share-based compensation: the stability of these expenses between the two periods under review (3.3 million euros for the six-month period ending June 30, 2009 vs. 3.4 million euros for the period ending June 30, 2008) is mostly explained by the stability in headcount (88 persons in average for both periods under review) as well as by measures to save costs implemented in early 2009 (partial freeze in bonus and compensation packages).
- The increase in share-based compensation between the two periods under review (1.7 million euros vs. 1.0 million euros for the six-month period ending June 30, 2009 and 2008 respectively) is explained by the acceleration of the vesting conditions of the free shares distributed in 2008, as decided in early 2009.

Balance sheet items

Cash, cash equivalent and current financial instruments amounted to 36.1 million euros as at June 30, 2009, as compared to 33.8 million euros on December 31, 2008.

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 2.2 million euros on June 30, 2009, accounted as financial liabilities.

The other key balance sheet items for June 30, 2009 were as follows:

- Receivables from the French government on research tax credits (for the six-month period ending on June 30, 2009) amounted to 2.1 million euros. Receivables from the French government on research tax credits as at December 31, 2008 amounting 10.4 million euros were fully repaid in the first half 2009.
- Tangible assets amounted 8.2 million euros as at June 30, 2009, mostly 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, 2009, the net financial liability in relation to this acquisition amounted to 4.9 million euros.
- Shareholders' equity amounting to 31.8 million euros including the loss for the period of 7.9 million euros.

Cash-flow items

The net cash flow generated for the six-month period ending on June 30, 2009 amounted to 2.0 million euros compared to a net cash flow absorbed by operations of 0.1 thousand euros for the 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 receivables for research tax credits as at December 31, 2008 amounting 10.4 million euros. The cash flow generated from the operations for the six-month period ending on June 30, 2009 amounted to 2.4 million euros compared to a cash flow absorbed by operations of 5.9 thousand euros for the year-ago period.

Mandatory change in accounting policy

As part of its improvement project, the IASB issued an amendment to IAS 38, *intangible assets*. This amendment was applicable to reporting period beginning on or after January 1st, 2009.

Among other things, this amendment of IAS 38 clarifies that certain type of costs must be accounted as expenses when the entity receives the related goods or services rather than when the entity uses these goods or services.

Under its former accounting policy, the Company used to recognize material acquired for its R&D activities as prepayment and to expense them when used.

Consistently with the classification provided by the IASB in the amendment of IAS 38, the Company changed its accounting policy to expense material acquired for its R&D activities when related items are received.

As required by IAS 8, accounting policies, changes in accounting methods and accounting estimates, the Company applied this change retrospectively as if the new accounting policy had always been applied, with the following impact of past accounting periods:

In thousands of euros	As of January 1, 2008	As of June 30, 2008	As of December 31, 2008
Effect on Shareholders' Equity:	(1,565)	(1,742)	(3,574)
Effect on the net income:			
For the six-month period:	-	(177)	-
For the twelve-month period:	-	-	(2,187)

Company's fully-owned subsidiary, IPH Services SAS, based in Lyon and dedicated to the Platine platform.

Nota

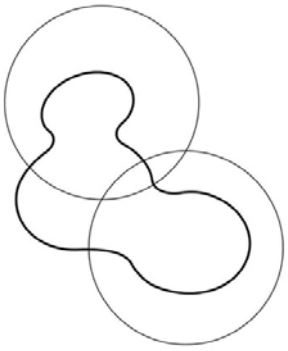
The interim consolidated financial statements have been subject to a limited review by our Statutory Auditors and approved by the Executive Board of the Company on August 28, 2009. They have been reviewed by the Supervisory Board of the Company on August 28, 2009. They will not be submitted for approval to a general meeting of shareholders.

Risk factors

Risk factors identified by the Company are presented in paragraph 4 of the "Document de Référence" registered by the French stock-market regulator, the "Autorité des Marchés Financiers" on May 5, 2009 under the reference number R.09-043.

Related party transactions:

Transactions with related parties during the periods under review are disclosed in the Note 18 to the Interim consolidated financial statements prepared in accordance with IAS 34.



PRESS RELEASE

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About Innate Pharma:

Innate Pharma S.A. ("the company") is a clinical-stage biopharmaceutical company developing first-in-class immunotherapy drugs for cancer and other severe diseases. The company was incorporated in 1999 and listed on NYSE-Euronext in Paris in 2006.

The company has significant expertise in identifying new targets and bringing novel drug candidates through to clinical proof-of-concept trials. It currently has seven proprietary drug candidates in development (two of which are in Phase II clinical trials) and two programs out-licensed to Novo Nordisk A/S.

Innate Pharma is based in Marseilles, France, and had 86 employees as at June 30, 2009.

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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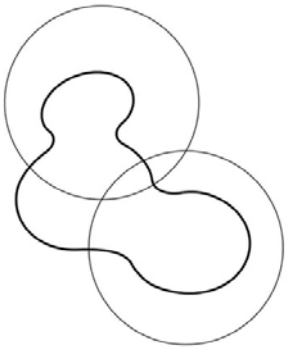

PRESS RELEASE

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Consolidated Interim Balance Sheet
(in thousands of euros)

	December 31, 2008 IAS 38 restatement (1)	June 30, 2009
Assets		
Current Assets		
Cash and cash equivalents	10,885	12,896
Current financial instruments	22,947	23,178
Current receivables and prepayments	14,803	2,768
Total current assets	**48,635**	**38,842**
Non-current assets		
Non-current receivables	-	2,088
Property, plant and equipment	8,523	8,208
Other non-current assets	130	69
Total non-current assets	**8,653**	**10,366**
Total assets	**57,288**	**49,207**
Liabilities and equity		
Current liabilities		
Trade payables	9,721	8,368
Financial liabilities	2,073	1,629
Provisions	1,025	439
Total current liabilities	**12,819**	**10,436**
Non-current liabilities		
Conditional subsidies and grants	92	92
Financial liabilities	6,369	6,626
Defined benefit obligations	241	231
Total non-current liabilities	**6,702**	**6,949**
Capital and reserves attributable to equity holders of the Company		
Share capital	1,296	1,296
Share premium	84,117	85,865
Retained earnings	(36,739)	(48,600)
Net loss for the year or the period	(11,862)	(7,946)
Other comprehensive income	954	1,209
Total capital and reserves attributable to equity holders of the Company	**37,767**	**31,823**
Total liabilities and equity	**57,288**	**49,207**

(1) Following the amendment of IAS 38, Intangible Assets, the Company changed its accounting policy related to the recognition of the purchase of R&D materials dedicated to its research and development activities. This change in accounting policies was retrospectively accounted for in the 2008 comparative accounts as if the revised policy had always been applied. These comparative periods have been labelled "IAS 38 restatement".

Consolidated Interim Income Statement
(in thousands of euros)

	6-month period ended June 30	
	2008 IAS 38 restatement (1)	2009
Revenue from collaboration and licensing agreements	4,417	2,590
Government financing for research expenditures	2,591	2,507
Other revenue	16	63
Operating revenue	**7,024**	**5,159**
Cost of supplies and consumable materials	(1,237)	(1,065)
Intellectual property expenses	(322)	(440)
Other purchases and external expenses	(5,613)	(5,751)
Employee benefits other than share-based compensation	(3,360)	(3,323)
Share-based compensation	(965)	(1,747)
Depreciation and amortization	(258)	(512)
Other income and (expenses), net	(187)	(225)
Net operating expenses	**(11,942)**	**(13,064)**
Operating income / (loss)	**(4,918)**	**(7,904)**
Interest income	654	130
Interest expenses, net	(48)	(172)
Income / (loss) before tax	**(4,312)**	**(7,946)**
Income tax expense	-	-
Net income / (loss)	**(4,312)**	**(7,946)**
Net income / (loss) per share attributable to the equity holders of the Company:		
(in € per share)		
- basic	(0.17)	(0.31)
- diluted	(0.17)	(0.31)

(1) Following the amendment of IAS 38, Intangible Assets, the Company changed its accounting policy related to the recognition of the purchase of R&D materials dedicated to its research and development activities. This change in accounting policies was retrospectively accounted for in the 2008 comparative accounts as if the revised policy had always been applied. These comparative periods have been labelled "IAS 38 restatement".