French *société anonyme* governed by an executive board and a supervisory board with a share capital 1,295,612.95 euros comprised of 25,912,259 shares of a nominal value of 0.05 euros each. Registered office: 117, Avenue de Luminy, F-13009 Marseille. Registered with the Company and Trade Register of Marseille under number 424 365 336.

Interim Financial Report June 30, 2009

Interim financial situation as of June 30, 2009

The following interim consolidated financial statements have been prepared by the Executive Board of the Company, and have been subject to a limited review by our Statutory Auditors. They have been examined by the Supervisory Board of the Company on August 28, 2009.

Summary

Innate Pharma at a glance

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. Two other programs are out-licensed to the Danish biopharmaceutical company Novo Nordisk A/S, a shareholder.

With its strong scientific position in immuno-pharmacology, its robust intellectual property portfolio and its R&D expertise, Innate Pharma intends to become a leading player in the booming immunotherapeutics market.

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

I. Financial Highlights and Management Discussions and Analysis

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. Further details are given on page 8 of this Interim Financial Report.

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:

	6-month period ended June 30	
In thousands of euros	**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 (see Note 13 for more details).

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)

Key events since January 1, 2009

- Publication of the results of the first Phase IIa with IPH 1101 in type C viral hepatitis (primary efficacy endpoint met).
- Publication of the preliminary results of the Phase I clinical trials with IPH 2101 in acute myeloid leukemia and multiple myeloma.
- Approval from the French health 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, ImmunID1 and other academic partners.
- Appointment of Marcel Rozencweig, MD, as Senior Vice President Clinical and Regulatory Strategy.
- Achievement of a pre-clinical milestone with IPH 24, a novel antibody program developed in the context of the agreement 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; award of a 3.7 million euros grant from the French innovation agency Oséo to support the project.
- Contractual end of the R&D collaboration part of the agreement signed in 2006 with Novo Nordisk A/S on the Company's NK platform; new R&D funding arrangement on selective projects licensed-out to Novo Nordisk A/S up until the end of 2009.

During the first half of 2009, the Company has decided to close its facilities in Lyon-Dardilly as at the end of August 2009, as part as measures so as to rationalize its organisation. 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.

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.

[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.

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.

Forward-looking statements

Certain information contained in this presentation includes forward-looking statements. Forward-looking statements are not guarantees of future performance of the Company and its actual financial condition, actual results of operations and cash flows and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this presentation. In addition, even if the Company’s financial condition, results of operations and cash flows and the development of the industry in which the Company operates are consistent with the forward-looking statements contained in this presentation, those results or developments may not be indicative of results or developments in future periods. These statements are based on management’s current expectations or beliefs and involve risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The Company does not undertake, nor does it have any obligation, to provide updates or to revise the forward-looking statements contained in this presentation to reflect events that occur or circumstances that arise after the date of this presentation. The Company takes no responsibility for the use of this information by any person.

II. Statutory auditors' limited review report on interim consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by the Executive Board and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- The review of the accompanying condensed half-year consolidated financial statements of Innate Pharma S.A., for the six months ended June 30, 2009 ;
- The verification of the information contained in the interim/half-year1 management report.

These condensed half-year consolidated financial statements are the responsibility of the Executive Board. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - the standard of IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to Note 2 c to the condensed half-year consolidated financial statements, which describes the change in accounting policy applied from January 1, 2009 regarding the recognition of purchases of materials dedicated to Company's research and development activities following the amendment of IAS 38.

2. Specific verification

We have also verified the information given in the half-year management report on the condensed half-year consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Marseilles, August 28, 2009

The Statutory Auditors

French original signed by

AUDIT CONSEIL EXPERTISE, SA **Member of PKF INTERNATIONAL**	**PRICEWATERHOUSECOOPER AUDIT**
Guy CASTINEL	Philippe WILLEMIN

III. Interim consolidated financial statements

Consolidated Interim Balance Sheet
(in thousands of euros)

	Note	December 31, 2008 IAS 38 restatement (1)	June 30, 2009
Assets			
Current Assets			
Cash and cash equivalents	3	10,885	12,896
Current financial instruments	3	22,947	23,178
Current receivables and prepayments	4	14,803	2,768
Total current assets		**48,635**	**38,842**
Non-current assets			
Non-current receivables	5	-	2,088
Property, plant and equipment	6	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	7	9,721	8,368
Financial liabilities	8	2,073	1,629
Provisions		1,025	439
Total current liabilities		**12,819**	**10,436**
Non-current liabilities			
Conditional subsidies and grants	8	92	92
Financial liabilities	8	6,369	6,626
Defined benefit obligations	9	241	231
Total non-current liabilities		**6,702**	**6,949**
Capital and reserves attributable to equity holders of the Company			
Share capital	10	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)

	Note	6-month period ended June 30 2008 IAS 38 restatement (1)	2009
Revenue from collaboration and licensing agreements	16	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	11	(1,237)	(1,065)
Intellectual property expenses		(322)	(440)
Other purchases and external expenses	11	(5,613)	(5,751)
Employee benefits other than share-based compensation	12	(3,360)	(3,323)
Share-based compensation	13	(965)	(1,747)
Depreciation and amortization		(258)	(512)
Other income and (expenses), net	14	(187)	(225)
Net operating expenses		**(11,942)**	**(13,064)**
Operating income / (loss)		**(4,918)**	**(7,904)**
Interest income	15	654	130
Interest expenses, net	15	(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	19	(0.17)	(0.31)
- diluted	19	(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".

Consolidated Interim Statement Of Cash Flows
(in thousands of euros)

	6-month period ended June 30	
	2008 IAS 38 restatement (1)	2009
Cash flows from operating activities:		
Loss from operating activities	(4,312)	(7,946)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	258	519
Provisions for expenses and defined benefit obligations	28	(586)
Share-based compensation	767	1,747
Profit / (loss) on asset disposals	9	66
Changes in working capital:		
- Current receivables and prepayments	(789)	12,017
- Non-current receivables	(2,147)	(2,088)
- Trade payables	274	(1,364)
Other items not included in operating activities	6	-
Net cash generated from / (used in) operating activities (i):	**(5,906)**	**2,365**
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(1,550)	(166)
Disposal of fixed assets	18	-
Purchase of current financial instruments	(15,913)	-
Disposal of current financial instruments	23,507	-
Down-payment in relation to a lease-financing	(1,500)	-
Net cash generated from / (used in) investing activities:	**4,562**	**(166)**
Cash flows from financing activities (ii):		
Net proceeds from issuance of share capital	2	-
Increase in financial liabilities	1,368	-
Debt repayment	(101)	(187)
Net cash generated from financing activities:	**1,268**	**(187)**
Net increase / (decrease) in cash and cash equivalents:	**(76)**	**2,011**
Cash and cash equivalents at the beginning of the period:	**2,482**	**10,885**
Cash and cash equivalents at the end of the period (iii):	**2,406**	**12,896**
(i) Interest paid:	(5)	(172)
(ii) Acquisitions through lease-financing with no impact on cash flow:	(2,254)	-
(iii) Does not include current financial instruments:	40,627	23,178

(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".

Interim Statement Of Changes In Equity
(in thousands of euros)

	Share capital	Share premium	Retained earnings	Net gain / (loss)	Other compre-hensive income	Total attributable to equity holders of the Company
Balance as at January 1, 2008 (IAS 38 restatement)	**1,259**	**82,808**	**(27,985)**	**(8,753)**	**713**	**48,043**
Net loss appropriation for 2007	-	-	(8,753)	8,753	-	-
Net loss for the six-month period ended June 30, 2008	-	-	-	(4,135)	-	(4,135)
Share-based compensation	-	768	-	-	-	768
Acquisition of free shares issued in April 2008	37	(37)	-	-	-	-
Distribution of 2008 warrants, March 2008		2				2
Unrealized gains on securities available for sale	-	-	-	-	(80)	(80)
Currency translation gain / (loss)	-	-	-	-	(19)	(19)
Change in IAS38	-	-	-	(177)	-	(177)
Balance as at June 30, 2008 (IAS 38 restatement)	**1,296**	**83,541**	**(36,739)**	**(4,312)**	**614**	**44,400**
Share-based compensation	-	576	-	-	-	576
Net loss for the six-month period ended December 30, 2008	-	-	-	(7,550)	-	(7,550)
Unrealized gains on securities available for sale	-	-	-	-	274	274
Currency gain / (loss)	-	-	-	-	66	66
Balance as at December 31, 2008 (IAS 38 restatement)	**1,296**	**84,117**	**(36,739)**	**(11,862)**	**954**	**37,767**
Net loss appropriation for 2008	-	-	(11,862)	11,862	-	-
Net loss for the six-month period ended June 30, 2009	-	-	-	(7,946)	-	(7,946)
Share-based compensation	-	1,747	-	-	-	1,747
Unrealized gains on securities available for sale	-	-	-	-	252	252
Currency translation gain / (loss)	-	-	-	-	3	3
Balance as at June 30, 2009	**1,296**	**85,865**	**(48,600)**	**(7,946)**	**1,209**	**31,823**

(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".

Statement of comprehensive income
(in thousands of euros)

In thousands of euros	6-month period ended June 30 2008 IAS 38 restatement (1)	 2009
Net loss for the period:	**(4,312)**	**(7,946)**
Other comprehensive income	(80)	-
Unrealized gains / (loss) on available-for-sale securities	-	252
Currency translation gain / (loss)	(19)	3
Tax effects	-	-
Other comprehensive income for the period:	**(99)**	**255**
Total comprehensive income for the period:	**(4,411)**	**(7,691)**

1) The Company

Innate Pharma (the "Company") is a French Société Anonyme incorporated and domiciled in Marseilles, France. The Company is listed on the NYSE-Euronext stock exchange in Paris, France.

Innate Pharma is a biopharmaceutical firm specialized in immunology, developing first-in-class drug candidates. The Company works on immunotherapies, with two different approaches: immunomodulatory compounds, activating or inhibiting specific innate immunity cells, and cytotoxic antibodies (biological molecules directly targeting antigens expressed by cancer cells and, by doing so, destroying those cells). These approaches could have an application in several therapeutic areas such as cancer, inflammation or infectious diseases.

As at June 30, 2009 the Company had seven proprietary products under development, none of which have been marketed yet, as well as two pre-clinical programs licensed to the Danish biopharmaceutical company Novo Nordisk A/S, a shareholder.

Currently, the Company's strategy is to develop on its own or in partnership its drug-candidates in cancer, and through partnerships for the other therapeutic areas.

In the long term, the Company intends to become a commercial company, selling its product directly or through commercial partners.

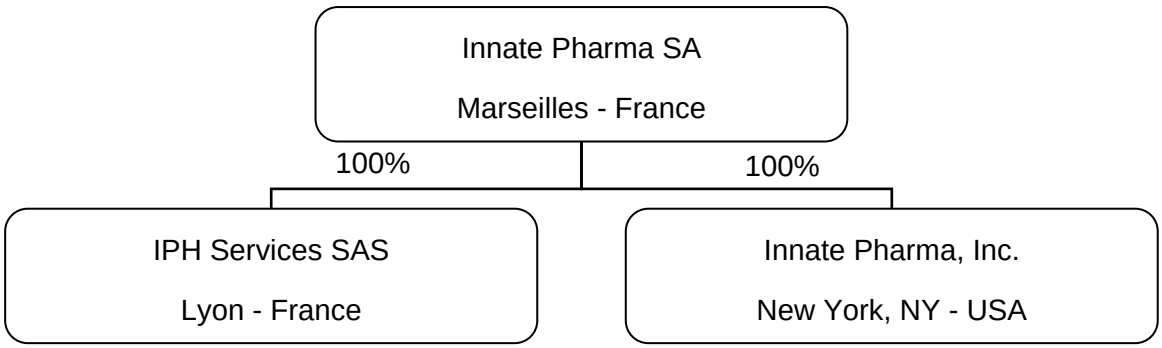
The Company's activity is not subject to seasonal fluctuations.

The Company is and should continue, in the near to mid-term, to be financed primarily through the issuance of new equity instruments. The current adverse equity market conditions could negatively impact the Company if the latter needs refinancing in the near future.

The Company has recently (2008 and 2009) incorporated two fully-owned subsidiaries: IPH Services SAS (previously Innate Pharma France SAS), a company which is intended to provide immuno-monitoring services, and Innate Pharma, Inc., registered in the Delaware, United States, to manage its business development activities in the United States.

These two companies are fully consolidated.

The organization chart of the Company and its subsidiaries as at June 30, 2009 is as follows:



These interim consolidated financial statements have been approved by the Executive Board on August 28, 2009 and examined by the Supervisory Board on that same day. They are not subject to approval from the Shareholders' meeting.

2) Accounting policies

a) Basis of preparation

The interim financial statements for the six-month period ended 30 June 2009 have been prepared in accordance with IAS 34, *Interim Financial Reporting.* They should be read in conjunction with the annual consolidated financial statements as at 31 December 2008 prepared in accordance with IFRS as adopted by the European Union and presented in paragraph 20.1 of the "Document de Référence" registered by the French stock-market regulator, the "Autorités des Marchés Financiers", on May 5, 2009 under the reference number R. 09-043.

b) Accounting policies

The accounting policies applied are the same as those adopted in the preparation of the annual financial statements in accordance with IFRS as at December 31, 2008, except for the change in accounting policies which is described in 2c thereafter that has led the Company to restate its consolidated financial statements with effect on January 1, 2008.
Application of the following existing standard amendment (adopted by the European Union) is mandatory for the first time for the financial period beginning on January 1, 2009 and, as such, has been adopted by the Company:

- IAS 23 (amendment), Borrowing costs (effective starting January 2009). The impact of this amendment on the presentation of financial statements of the Company is not significant.
- IAS 38 (amendment), Intangible assets. This amendment clarifies the accounting treatment of certain type of purchases that need to be expensed when the related services or good is received by the entity. Consistent with this approach, the Company changed its accounting policies related to the recognition of R&D materials (see 2c of the present report).

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial period beginning on January 1, 2009, but are not currently relevant for the Company:

- IFRIC 13, Customer Loyalty Programs;
- IFRIC 15, Agreements for the construction of real estate;
- IFRIC 16, Hedges of a net investment in a foreign operation; and
- IAS 39 (amendment), Financial instruments: Recognition and measurement.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning on January 1, 2009, and have not been early adopted by the Company as they are not currently relevant for it:

- IFRS 3 (revised), Business combinations and consequential amendments to IAS 27, Consolidated and separate financial statements, IAS 28, Investments in associates and IAS 31, Interests in joint ventures;
- IFRIC 17, Distributions of non-cash assets to owners; and
- IFRIC 18, Transfers of assets from customers.

As at June 30, 2009, estimate of the amount of research tax credit for the first half period is calculated on the basis of eligible expenses in the period (30% of these expenses). The same calculation applied for the six-month period ending June 30, 2008.

c) Mandatory change in accounting method

In January 2009, the European Union has adopted the amendment to IAS 38 (published in May 2008) that clarifies the accounting treatment of certain prepaid expenses. This amendment, applicable from January 1, 2009, has led the Company to change its accounting policies and to expense at the time of their purchase R&D materials acquired but not yet used in its operations. Prior to this amendment, the Company used to recognize these purchases as prepayments and to expense them when the materials were used in the operations.

Consolidated financial statements have been restated to this effect. Comparative accounting periods have been labelled “IAS 38 restatement”.

The effect of this change in accounting policy on comparative accounting periods is analyzed as follows:

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)

3) Cash, cash equivalents and current financial instruments

Cash and cash equivalents and current financial instruments are analyzed as follows (in thousands of euros):

	December 31, 2008 IAS 38 restatement	June 30, 2009
Cash and cash equivalents	10,885	12,896
Current financial instruments	22,947	23,178
Cash and cash equivalents and current financial instruments	**33,832**	**36,074**

Cash and cash equivalents are composed by bank accounts and available-for-sale marketable securities.

Bank accounts are denominated in EUR and USD and were opened with two banks, Société Générale and Crédit Lyonnais.

Available-for-sale marketable securities were mainly composed of Société Générale and Crédit Lyonnais money market mutual funds. These funds have money market objectives and the funds’ management target is to yield a return close to that of EONIA, the EU inter-bank reference rate.

Current financial instruments are broken down as follows (in thousands of euros):

	December 31, 2008 IAS 38 restatement	June 30, 2009
CAAM – TRESO 9	2,167	2,186
CAAM – IP FUND 2009	20,780	20,991
Current financial instruments	**22,947**	**23,178**

The Company had the following current financial instruments in its portfolio as at June 30, 2009:

- CAAM – TRESO 9: 2,040 thousand euros invested on December 29, 2006 in an open investment fund managed by CAAM. The unrealized gain on this investment amounted to 146 thousand euros as at June 30, 2009.
- CAAM – IP Fund 2009: 20,000 thousand euros invested on December 29, 2006 in an open investment fund managed by CAAM. The unrealized gain on this investment amounted to 991 thousand euros as at June 30, 2009.

The unrealized gain relating to current financial instruments hold by the Company as at June 30, 2009 amounted to 1,137 thousand euros and was booked in the line item Equity as Other comprehensive income as at June 30, 2009.

4) Current receivables and prepayments

Current receivables and prepayments are analyzed as follows (in thousands of euros):

	December 31, 2008 IAS 38 restatement	June 30, 2009
Prepayments made to suppliers	158	344
Trade account receivables	84	141
VAT refund	431	1,096
Grants and government subsidies	708	425
Prepaid expenses	786	752
Other receivables	546	10
Research tax credit	10,394	-
Repayment to be received on renovation works under lease-financing	1,696	-
Current receivables and prepayments	**14,803**	**2,768**

The amounts booked as current receivables and prepayments as at June 30, 2009 have a maximum maturity of twelve months.

5) Non-current receivables

Non-current receivables are analyzed as follows (in thousands of euros):

	December 31, 2008 IAS 38 restatement	June 30, 2009
Research tax credit	-	2,088
Non-current receivables	**-**	**2,088**

6) Property, plant and equipment and tangible assets in progress

Property, plant and equipment can be broken down as follows (in thousands of euros):

	Buildings	Equipment and machinery	In progress	Total
Year ended December 31, 2008				
Net opening balance (IAS 38 restatement)	35	1,482	-	1,517
Acquisitions	1,604	871	5,029	7,504
Disposals	-	(32)	-	(32)
Depreciation	(58)	(408)	-	(465)
Impairment	-	-	-	-
Net closing balance (IAS 38 restatement)	**1,581**	**1,913**	**5,029**	**8,523**
6-month period ended June 30, 2009				
Net opening balance (IAS 38 restatement)	1,581	1,913	5,029	8,523
Acquisitions	5029	241	(5,029)	241
Disposals	-	(66)	-	(66)
Depreciation	(187)	(304)	-	(519)
Net closing balance	**6,423**	**1,784**	**-**	**8,208**

7) Trade payables

This line item is analyzed as follows (in thousands of euros):

	December 31, 2008 IAS 38 restatement	June 30, 2009
Suppliers	6,575	6,798
Tax and social liabilities	1,457	1,277
Prepaid income	1,690	293
Trade payables	**9,721**	**8,368**

8) Financial liabilities

This line item, per maturity, is analyzed as follows (in thousands of euros):

	December 31, 2008 IAS 38 restatement	June 30, 2009
Oséo	930	930
Other borrowings	1,143	699
Total – Short term financial liabilities	**2,073**	**1,629**
Oséo	1,256	1,256
Other borrowings	5,205	5,462
Total – Long term financial liabilities	**6,461**	**6,718**
Total financial liabilities	**8,534**	**8,347**

The amounts presented in current liabilities as at June 30, 2009 are to be repaid with twelve months.

The table below details the repayment schedule of the principal for the aforementioned borrowings (in thousand of euros):

Repayment schedule	2009	2010	2011	2012	2013 and following years	Total
Oséo	930	1,038	126	92	-	**2,186**
Other borrowings	341	705	736	622	3,757	**6,161**
Total	**1,271**	**1,743**	**862**	**714**	**3,757**	**8,347**

The table below details the repayment schedule for the contractual flow (principal and interest) of the aforementioned borrowings (in thousand of euros):

Repayment schedule	2009	2010	2011	2012	2013 and following years	Total
Oséo	930	1,038	126	92	-	**2,186**
Other borrowings	463	926	926	783	4,316	**7,403**
Total	**1,393**	**1,964**	**1,052**	**875**	**4,316**	**9,589**

9) Pension benefits

The Company's pension benefits correspond to indemnities due to employees who leave the Company for the purpose of their retirement. The Company uses an external actuary firm so as to evaluate this provision.

10) Capital

Share Capital

As at June 30, 2009, the share capital is composed by 25,912,259 common shares with a 0.05 euro par value, unchanged compared to December 31, 2008.

Fully diluted capital

The number of shares that could be issued from the outstanding warrants (234,998) and stock-options (865,800) and from the free shares already distributed (1,299,100) totalled 2,399,898, representing approximately 8.48% of the Company's share capital based on the existing number of shares at June 30, 2009 (i.e. 28,312,157 on a fully diluted basis).

This number does not take into account the authorized but not yet issued warrants ("BSA"; 205,002) and redeemable warrants ("BSARR"; 100,000) nor the authorized but not yet distributed free shares (900).

11) Cost of supplies and consumable materials, other purchases and external expenses

Cost of supplies and consumable materials consists mainly in procurement of the Company's drug substance and/or drug product manufactured by third-parties.

Other purchases and external expenses are analyzed as follows (in thousands of euros):

	6-month period ending June 30	
	2008 IAS 38 restatement	2009
Subcontracting	(3,585)	(3,747)
Scientific advisory and consulting	(135)	(332)
Leasing, maintenance and utilities	(456)	(656)
Travel expenses and participation to congresses	(525)	(364)
Non-scientific advisory and consulting	(491)	(365)
Marketing, communication and public relations	(297)	(184)
Telecommunications and postal services	(43)	(51)
Insurance	(81)	(63)
Bank charges	(14)	(16)
Others, net	14	27
Other purchases and external expenses	**(5,613)**	**(5,751)**

12) Employee benefits other than share-based compensation

The Company had 86 employees as at June 30, 2009, to be compared with 89 as at December 31, 2008.

13) Share-based compensation

The share-based compensation expenses are broken down as follows (in thousands of euros):

	6-month period ending June 30	
	2008 IAS 38 restatement	2009
ESOP 2004	(17)	-
Free shares 2006	(468)	-
Free shares 2007 and 2008	(262)	(1,713)
BSA 2007	(21)	(30)
BSA 2009	-	(4)
Social contributions on share-based compensation	(197)	-
Share-based compensation	**(965)**	**(1,747)**

The Company has decided to amend the vesting conditions of the free shares 2007 and 2008 distributed in 2008. In the six-month period ending June 30, 2009, the share-based compensation relating to these shares notably reflects the accelerated vesting of these shares. There shall be no additional share-based compensation expense in relation to the free shares 2007 and 2008 in the next accounting periods.

14) Other income and expenses, net

Other income and expenses are analyzed as follows (in thousands of euros):

	6-month period ending June 30	
	2008 IAS 38 restatement	2009
Taxes	(91)	(108)
Loss on the disposal of assets	(9)	(65)
Attendance fee	(48)	(52)
Others	(39)	-
Other income and expenses, net	**(187)**	**(225)**

15) Interest income and interest expenses

Interest income can be analyzed as follows (in thousands of euros):

	6-month period ending June 30	
	2008 IAS 38 restatement	2009
Interest income	36	58
Gain on sales of securities	618	72
Interest income	**654**	**130**

Interest income and gain on sales of securities do not include the unrealized gain relating to current financial instruments amounting to 1,159 thousand euros as at 30 June 2009, as disclosed in Note 3.

Interest expenses, net, include interests on lease-financing agreements, and notably the agreement for the lease-financing related to the acquisition and renovation of the Company's main premises. These expenses are net of interest received on the down-payment used as collateral in this lease-financing agreement.

16) Licensing revenue

For the six-month period ending June 30, 2009, the Company's licensing revenue relate to collaboration and licensing agreements with Novo Nordisk.

17) Commitments and contingencies

In the context of the lease-financing contract signed with SOGEBAIL for the financing of the acquisition and renovation of the main premises of the Company, a down-payment of 1,500 thousand euros was made to SOGEBAIL by the Company as a collateral to the lease-financing agreement. This deposit carries interests and is deducted (principal and interests) from the repayments of the lease-financing contract over its 12-year duration.

The Company is not aware of potential significant liabilities at the end of the semester.

18) Related party transactions

The following compensations were expensed to the benefit of the members of the executive committee of the Company (in thousands of euros):

	6-month period ending June 30	
	2008 IAS 38 restatement	2009
Salaries and short-term employee benefits other than share-based compensation	551	526
Extra pension benefits	12	5
Share-based compensation	714	1,250
Key management compensation	**1,277**	**1,781**

The executive committee comprises five members until April 2008 and six members from April 2008 onwards.

19) Earnings per share

Basic

Basic earnings per share are calculated by dividing the net earnings attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	6-month period ending June 30	
	2008 IAS 38 restatement	2009
Net loss for the period	(4,312)	(7,946)
Weighted average number of ordinary shares issued (in thousands)	25,418	25,912
Basic loss per share (per share)	(0.17)	(0.31)

Diluted

Diluted loss per share are calculated by adjusting the weighted number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at June 30, 2008 and 2009, warrants, stock options and free shares have a relutive impact.

	6-month period ending June 30	
	2008 IAS 38 restatement	2009
Net loss for the period	(4,312)	(7,946)
Weighted average number of ordinary shares issued (in thousands)	25,418	25,912
Adjustment for warrants, stock options and free shares (in thousands)	-	-
Diluted loss per share (per share)	(0.17)	(0.31)

20) Post balance sheet events

In July 2009, the Company was notified the grant of 2.9 million euros in repayable loan from Oséo (French innovation agency) to finance part of the costs of running its first Phase II clinical trial with IPH 2101, one of its drug candidates.

21) Income statement by function

The income statement by function is set out below (amounts in thousands of euros):

	6-month period ending June 30	
	2008 IAS 38 restatement	2009
Revenue from collaboration and licensing agreements	4,417	2,590
Government financing for research expenditures	2,591	2,507
Other revenue	16	62
Operating revenue	**7,024**	**5,159**
Research and development expenses	(9,279)	(9,753)
General and administrative expenses	(2,663)	(3,311)
Net operating expenses	**(11,942)**	**(13,064)**
Operating income / (loss)	**(4,918)**	**(7,904)**
Interest income	654	130
Interest expenses	(48)	(172)
Net income / (loss)	**(4,312)**	**(7,946)**

IV. Declaration by the person responsible for this Interim Financial Report

I hereby declare, to the best of my knowledge, that the financial statements have been prepared in accordance with generally accepted accounting principles and give a true image of the assets, financial position and results of the company, and that the interim financial report reflects the changes in the Company's turnover, results and financial position and of all of the entities included within the consolidation scope as well as a description of the principle risks and uncertainties for the six months to come.

Chairman of the Executive Board

Mr. Hervé Brailly

INVESTORS RELATIONS

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