PRESS RELEASE

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INNATE PHARMA REPORTS 2010 FINANCIAL RESULTS AND UPDATES ON ITS DRUG CANDIDATES

- ***Strong balance sheet and controlled cash burn***
- ***Two drug candidates in clinical trials, one of which licensed to Novo Nordisk A/S***
- ***Six clinical trials in the US and Europe for IPH 21 program***

Marseilles, France, March 2, 2011

Innate Pharma (the "Company" - Euronext Paris: FR0010331421 – IPH) reports today its consolidated financial results for the year ending December 31, 2010. Unaudited consolidated financial statements are attached to this press release.

The key elements of these results are as follows:

- Operating revenue amounting 4.3 million euros (vs. 7.7 million euros in 2009), primarily from a research tax credit as well as, to a lesser extent, collaboration agreements with Novo Nordisk A/S;
- Operating expenses amounting to 18.0 million euros (vs. 23.3 million euros in 2009), of which about 80% is in research and development;
- Net loss amounting to 13.7 million euros (vs. 14.6 millions euros in 2009); and
- Cash, cash equivalents and current financial instruments amounting to 34.6 million euros as at December 31, 2010, with 7.5 million euros in debt, including 4.4 million euros for the long-term financing of property and equipment. Based on its current programs, the Company estimates that this situation corresponds to a cash runway into 2013.

In the course of 2010, the Company progressed in the clinical development of the IPH 21 program, with the continuation of the ongoing trials and the set-up of new Phase II trials in multiple myeloma with IPH 2101, as well as the initiation of a first clinical trial with IPH 2102.

It has also continued its effort on new targets validation in the field of innate immunity and the development of antibodies targeting them.

At the beginning of 2011, Novo Nordisk A/S filed a new clinical trial application for IPH 2201, which is expected to be the third program arising from the collaboration between the two companies to enter clinical trials. This achievement triggered the payment of a milestone to Innate Pharma.

Lastly, within the context of a strategic review of its portfolio and after discussions with potential partners relating to a development partnership for IPH 1101, the Company has concluded that further pursuit of partnering activities for IPH 1101 is not warranted. The Company has consequently decided to focus its efforts on antibody programs, consistently with its positioning.

"2010 has been a year of major progress and renewed interest for cancer immunotherapy, notably with the emergence of a new class of antibodies modulating immune regulatory mechanisms, which could transform the treatment of cancer and inflammatory disorders in the next decade. Our anti-KIR antibody is one of the most advanced candidate of this class and as such, is attracting a lot of attention from the medical community and from the industry", said Hervé Brailly, CEO of Innate Pharma.

François Romagné, Innate Pharma's EVP and CSO of Innate Pharma, added: *"We progress in the building of our portfolio of antibodies targeting the regulatory pathways of innate immunity cells. A fourth drug candidate has just been qualified to enter clinical development by our partner Novo Nordisk A/S and we are confident in our unique scientific positioning to yield new drug candidates for cancer and inflammation."*

The unaudited consolidated annual IFRS financial statements at December 31, 2010 as well as the management discussion on these results are in appendix at the end of this document.

The table below summarizes the consolidated income statement for the 12-month period ending December 31, 2010, with a comparison to the same period in 2009:

	Year ended December 31	
In thousands of euros	**2009**	**2010**
Revenue from collaboration and licensing agreements	3,243	211
Government financing for research expenditures	4,407	4,109
Non-core services	65	0
Operating revenue	**7,716**	**4,320**
Research and development expenses	(18,032)	(14,041)
General and administrative expenses	(5,219)	(3,969)
Net operating expenses	**(23,251)**	**(18,010)**
Operating income (loss)	**(15,535)**	**(13,690)**
Financial income / (expense), net	910	32
Net income (loss)	**(14,626)**	**(13,658)**

Update on 2010 achievements and outlook for 2011/2012:

- **IPH 21 program (anti-KIR monoclonal antibody):**

In 2010, Innate Pharma continued the set-up of the Phase II program of IPH 2101 in multiple myeloma. Two trials sponsored by Innate Pharma are currently ongoing in this indication: REMYKIR (IPH 2101-201 - single agent, maintenance) and KIRMONO (IPH 2101-203 - single agent, smoldering myeloma). A third trial, KIRIMID (IPH 2101-202 - combination with lenalinomide, relapse) is open for patient recruitment. Another Phase II trial, sponsored by the National Cancer Institute, is ongoing (single agent, smoldering myeloma).

The Phase I clinical trial extension with IPH 2101 in acute myeloid leukaemia is also ongoing.

The Company has also begun a Phase I clinical trial with IPH 2102, a recombinant form of the same anti-KIR monoclonal antibody as IPH2101, produced in a cell-line suited for industrial production and which will be the actual candidate for registration.

The final results for the Phase I study with IPH 2101 in multiple myeloma will be presented at the "International Myeloma Workshop" in Paris, in May 2011. REMYKIR results are expected at the end of 2011/beginning of 2012. The results of the other ongoing trials sponsored by Innate Pharma are expected at the end of 2012/beginning of 2013.

- **IPH 2201 (NN8765):**

In the beginning of 2011, Novo Nordisk A/S filed a first clinical trial application for IPH 2201, a monoclonal antibody developed in inflammation and auto-immune diseases, and licensed by Innate Pharma to Novo Nordisk A/S. The application filing triggered a milestone payment from Novo Nordisk A/S to Innate Pharma.

IPH 2201 is expected to enter clinical trial in 2011, thus becoming the third monoclonal antibody arising from the collaboration with Novo Nordisk A/S to reach this stage. Innate Pharma is eligible to milestone payment for the development of IPH 2201 and royalties on future sales of IPH 2201.

- **IPH 1101:**

In July 2010, the Company announced the final results of the Phase I/II trial with IPH 1101 in folicullar lymphoma, revealing a possible clinical benefit of the combination IPH 1101, rituximab and IL-2. Based on these results as well as on the demonstration of an anti-viral effect of IPH 1101 in type C viral hepatitis, the Company engaged into an active search for a development partner while maintaining its previous decision not to invest further financial resources in the program. As no interest materialized for the industrial development of the program, the Company has decided, within the frame of its strategic review of its portfolio, to stop its efforts for the gamma delta program. The Company will continue to maintain certain intellectual property assets in relation to the gamma delta program which could lead to a future recognition of revenue.

- **Pre-clinical programs:**

- In the course of 2010, the Company completed its shift towards the research and development of antibody drug candidates targeting the control of activation pathways of innate immunity cells for cancer and inflammatory indications. Several targets are currently in validation. The Company expects to start lead candidate optimization for a new program in 2011.

- The IPH 41 program targeting the KIR3DL2 molecule is ongoing (cutaneous T cell lymphoma – Sezary syndrome, preclinical validation). A first antibody candidate, IPH 4101, did not achieve the preset criteria to qualify for regulatory development, despite enhanced cytotoxicity properties by its production with Vivalis EB66® cell line. Other candidates against the target have been generated and are currently in validation.

A meeting for fund managers, financial analysts and journalists will be held this day at 4:00pm (CET) in Paris.

The slideshow will be available on the Company's website when the meeting begins (www.innate-pharma.com)

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About Innate Pharma:

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

The Company specializes in the development of new monoclonal antibodies targeting receptors and pathways controlling the activation of innate immunity cells. Its most advanced drug-candidate is IPH 2101, an anti-KIR monoclonal antibody potentiating NK cells activation currently in Phase II clinical trials in hematologic cancers. Two of its antibody programs in chronic inflammation are out-licensed to Novo Nordisk A/S.

Innate Pharma's key expertise is in immunopharmacology and antibody technology. The Company has implemented in-house a large panel of molecular and cellular assays and *in vivo* models for assessing the pharmacodynamics and pharmacotoxicology of drug candidates. In addition, Innate Pharma has access to a very large set of unique research tools in cellular immunology through its worldwide network of scientific collaborations.

Incorporated in 1999 and listed on NYSE-Euronext in Paris in 2006, Innate Pharma is based in Marseilles, France, and had 86 employees as at December 31, 2010.

Learn more about Innate Pharma at www.innate-pharma.com.

Practical Information about Innate Pharma shares:

ISIN code	FR0010331421
Ticker code	IPH

Disclaimer:

This press release contains certain forward-looking statements. Although the company believes its expectations are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those anticipated. For a discussion of risks and uncertainties which could cause the company's actual results, financial condition, performance or achievements to differ from those contained in the forward-looking statements, please refer to the Risk Factors ("Facteurs de Risque") section of the *Document de Reference* prospectus filed with the AMF, which is available on the AMF website (http://www.amf-france.org) or on Innate Pharma's website.

This press release and the information contained herein do not constitute an offer to sell or a solicitation of an offer to buy or subscribe to shares in Innate Pharma in any country.

For additional information, please contact:

Innate Pharma
Laure-Hélène Mercier
Director, Investor Relations
Phone: +33 (0)4 30 30 30 87
investors@innate-pharma.com

Alize Public Relations
Caroline Carmagnol
Phone: +33 (0)1 41 22 07 31
Mobile: +33 (0)6 64 18 99 59
caroline@alizerp.com

APPENDIX

Innate Pharma SA

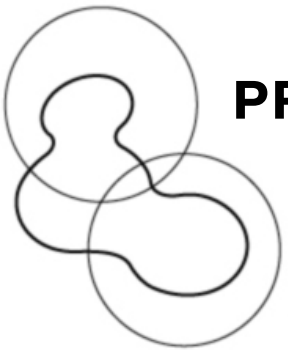
Unaudited consolidated financial statements as at December 31, 2010.

Fiscal year 2010

The following unaudited consolidated balance sheet, income statement and statement of cash flows are prepared in accordance with International Financial Reporting Standards.

The audit procedures from our statutory auditors are in progress to date. The unaudited consolidated financial statements have been approved by the Company's Executive Board on February 28, 2011. These statements were reviewed by the Company's Supervisory Board on February 28, 2011 and will be submitted for approval to the Shareholders' General Meeting on June 29, 2011.

Innate Pharma's financial annual report, included in the reference document, will be available in the second quarter.



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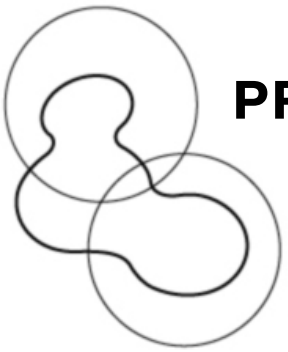
Balance Sheet - Unaudited
(in thousands of euros)

	At December 31	
	2009	**2010**
Assets		
Current Assets		
Cash and cash equivalents	46,448	31,818
Current financial instruments	2,746	2,763
Current receivables and prepayments	7,071	6,083
Total current assets	**56,266**	**40,664**
Non-current assets		
Non-current receivables	—	—
Intangible and tangible assets	7,943	7,335
Other non-current assets	10	11
Total non-current assets	**7,953**	**7,346**
Total assets	**64,219**	**48,010**
Liabilities		
Current liabilities		
Trade payables	8,369	6,660
Financial liabilities	723	701
Provisions	173	13
Total current liabilities	**9,265**	**7,374**
Non-current liabilities		
Conditional subsidies and grants	—	—
Financial liabilities	7,554	6,786
Defined benefit obligations	278	334
Total non-current liabilities	**7,832**	**7,120**
Shareholders' equity		
Capital and reserves attributable to equity holders of the Company		
Share capital	1,832	1,884
Share premium	108,295	108,173
Retained earnings	(48,597)	(63,168)
Net income (loss)	(14,626)	(13,658)
Other comprehensive income	219	285
Total capital and reserves attributable to equity holders of the Company	**47,122**	**33,516**
Total liabilities and equity	**64,219**	**48,010**



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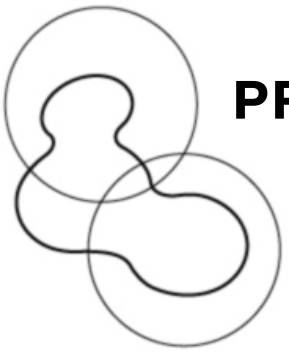
Income Statement - Unaudited
(In thousands of euros)

	Year ended December 31	
	2009	**2010**
Revenue from collaboration and licensing agreements	3,243	211
Government financing for research expenditures	4,407	4,109
Non-core services	65	0
Operating revenue	**7,716**	**4,320**
Cost of supplies and consumable materials	(1,704)	(2,730)
Intellectual property expenses	(1,643)	(697)
Other purchases and external expenses	(10,059)	(7,056)
Employee benefits other than share-based compensation	(6,743)	(6,235)
Share-based compensation	(1,774)	(35)
Depreciation and amortization	(1,069)	(1,056)
Other income and (expenses), net	(259)	(201)
Net operating expenses	**(23,251)**	**(18,010)**
Operating income / (loss)	**(15,535)**	**(13,690)**
Financial income / (expense), net	910	32
Net income / (loss) before tax	**(14,626)**	**(13,658)**
Income tax expense	—	—
Net income / (loss)	**(14,626)**	**(13,658)**
Net income / (loss) per share attributable to equity holders of the Company:		
(in € per share)		
- basic	(0.56)	(0.36)
- diluted	(0.56)	(0.36)



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Statement of cash flows - Unaudited
(In thousands of euros)

	Year ended December 31	
	2009	**2010**
Cash flows from operating activities		
Net income (loss)	(14,626)	(13,658)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	1,023	1,100
Provisions for charges and defined benefit obligations	(852)	(160)
Share-based compensation	1,774	35
(Gains) / losses on asset disposals	(33)	(99)
Changes in working capital:		
Current receivables and prepayments	7,852	987
Non-current receivables	—	—
Trade payables	(1,074)	(1,653)
Net cash generated from / (used in) operating activities	**(5,936)**	**(13,449)**
Cash flows from investing activities		
Acquisition of property and equipment	(511)	(408)
Changes in other non-current assets	—	120
Purchase of current financial instruments	(549)	
Disposal of current financial instruments	20,000	
Cash collateral in relation to a lease-financing	—	—
Net cash generated from / (used in) investing activities	**18,940**	**(289)**
Cash flows from financing activities [1]		
Net proceeds from issuance of share capital	23,117	8
Increase in financial liabilities	1,200	—
Debt repayment	(1,457)	(789)
Acquisition of the Company's own shares	(300)	(112)
Net cash generated from financing activities	**22,559**	**(893)**
Net increase / (decrease) in cash and cash equivalents	**35,563**	**(14,631)**
Cash and cash equivalents at the beginning of the year	10,885	46,448
Cash and cash equivalents at the end of the year [2]	**46,448**	**31,818**
(1) Acquisitions through finance lease with no impact on cash flow	*(2,239)*	—
(2) Does not include current financial instruments	*2,746*	*2,763*

Management discussion on unaudited annual results for 2010:

Operating revenue

Currently, operating revenue is derived mainly from government financing for research expenditure as well as, to a lesser extent, collaboration and licensing agreements. Our operating revenue was 7.7 million euros and 4.3 millions euros for the fiscal years ending on December 31, 2009 and 2010, respectively, from the following sources:

	Year ended December 31	
In thousands of euros	**2009**	**2010**
Revenue from collaboration and licensing agreements	3,243	211
Government financing for research expenditures	4,407	4,109
Non-core services	65	—
Operating revenue	**7,716**	**4,320**

Revenue from collaboration and licensing agreements

Revenue from collaboration and licensing agreements for the fiscal years ending on December 31, 2009 and 2010 come from collaboration and licensing agreements signed with Novo Nordisk A/S.

Variations in revenue for the fiscal years ending on December 31, 2009 and 2010 are explained by the end of these agreements.

Government financing for research expenditure

The table below details government financing for research expenditure for the fiscal years ending December 31, 2009 and 2010:

	Year ended December 31	
In thousands of euros	**2009**	**2010**
French and foreign subsidies	655	302
Research tax credit	3,752	3,807
Government financing for research expenditures	**4,407**	**4,109**

For the fiscal year 2009, 66 thousand euros, 509 thousand euros and 81 thousand euros were booked respectively for ANR grants, for two "Lyon Biopôle" cluster grants and for an Oséo ISI grant.

For the fiscal year 2010, the Company booked mainly a "Lyon Biopôle" cluster grant of 287 thousand euros.

These subsidies directly impact our income statement, as opposed to repayable loans which are recorded as debt and thus only impact our balance sheet.

Since the fiscal years ending on December 31, 2008, the calculation of the research tax credit is based on 30% of the amount of eligible expenses for the fiscal year.

The table below shows the amount of R&D expenses (net of subsidies) eligible for the fiscal years ending on December 31, 2009 and 2010:

	Year ended December 31	
In thousands of euros	**2009**	**2010**
R&D expenses eligible for the research tax credit	14,842	12,071
Grants and subsidies received, nets	(2,377)	(91)
Net expenses eligible for the research tax credit	**12,465**	11,980

The research tax credit is usually reimbursed by the government during the fourth fiscal year following the one for which it was booked in the income statement, provided that it is not deducted from taxes due by the Company. In the context of the French finance bills for 2010 and 2011, the French government has decided to immediately refund all research tax credit balance receivables as at December 31, 2009 and 2010. The Company has received in early 2010 the refund of its entire research tax credit balance as at December 31, 2009, amounting to 3.8 million euros and will ask for the immediate refund of its 2010 research tax credit in early 2011.

For the year 2011, only the small and medium sized companies according to the European Union criteria are illegible to the anticipated reimbursement of their debt related to the research tax credit. Management ensured that the Company is a SME according to the European Union criteria and can therefore benefit from the anticipated reimbursement.

Since 2008, repayable grants received are deducted from the basis of calculation of the research tax credit. These amounted respectively 1,200 and 91 thousand euros in 2009 and 2010. In parallel, the Company conducted more research outside of the European Union, notably in the USA, and these research expenses are not eligible for the research tax credit calculation.

Operating expenses by business function

The table below gives a breakdown of net operating expenses by business function:

	Year ended December 31	
In thousands of euros	**2009**	**2010**
Research and development expenses	(18,032)	(14,041)
General and administrative expenses	(5,219)	(3,969)
Net operating expenses	**(23,251)**	**(18,010)**

Research and development expenses include the cost of employees assigned to research and development operations (including employees assigned to work under the collaboration and licensing agreements) , product manufacturing costs, subcontracting costs (research, pre-clinical and clinical development) as well as costs of materials (reagents and other consumables) and pharmaceutical products.

Our research and development expenses were 18.0 million euros and 14.0 million euros for the fiscal years ending on December 31, 2009 and 2010, respectively. These expenses represented 78% of our net operating expenses for the fiscal years ending on December 31, 2009 and 2010. The decrease in research and development expenses between 2009 and 2010 is mostly explained by a decrease in subcontracting in relation to the end of the clinical program of IPH 1101, as well as a decrease in the intellectual property costs.

General and administrative expenses include expenses for employees not working on research and development, as well as the expenses necessary for the management of the business and its development. General and administrative expenses were 5.2 million euros and 3.9 million euros for the fiscal years ending on December 31, 2009 and 2010, respectively. This expense represents a total of 22% of the net operating expenses for the fiscal years ending on December 31, 2009 and 2010. The decrease in general and administrative expenses is mostly related to the decrease in share-based payments.

Operating expenses by nature

The table below gives a breakdown of net operating expenses by nature of expenses:

	Year ended December 31	
In thousands of euros	**2009**	**2010**
Cost of supplies and consumable materials	(1,704)	(2,730)
Intellectual property expenses	(1,643)	(697)
Other purchases and external expenses	(10,059)	(7,056)
Employee benefit other than share-based compensation	(6,743)	(6,235)
Share-based compensation	(1,774)	(35)
Depreciation and amortization	(1,069)	(1,056)
Other income and (expenses), net	(259)	(201)
Net operating expenses	**(23,251)**	**(18,010)**

Cost of supplies and consumable materials

The cost of supplies and consumable materials totalled 1.7 million euros and 2.7 million euros for the fiscal years ending on December 31, 2009 and 2010, respectively.

Cost of supplies and consumable materials are broken down into two categories: (i) costs for manufacturing pharmaceutical ingredients and products and (ii) purchasing of products and consumables, broken down as follows for the fiscal years ending on December 31, 2009 and 2010:

	Year ended December 31	
In thousands of euros	**2009**	**2010**
Cost of manufacturing products	339	1,530
Other consumable purchases	1,365	1,200
Cost of supplies and consumable materials	**1,704**	**2,730**

As we have no manufacturing facilities, we outsource the entire production process. Our most advanced products, IPH 1101 and IPH 2101, are manufactured by different subcontractors in several stages, from manufacturing the pharmaceutical ingredients to the intermediate stage of production, and eventually to the delivery of the pharmaceutical product.

The increase in the cost of manufacturing products between 2009 and 2010 is explained by the consumption of pharmaceutical product within the frame of our different ongoing clinical trials for the IPH 21 program.

Other consumable purchases include the cost of products consumed in our laboratories and by third parties with whom we collaborate notably during our clinical trials. They are summarized in the table below:

	Year ended December 31	
In thousands of euros	**2009**	**2010**
Consumables	1,330	1,200
Pharmaceutical product purchases	35	0
Other consumable purchases	**1,365**	**1,200**

Consumable purchases mainly relate to laboratory reagents. The decrease of this line item in 2010 compared to 2009 mostly results from an evolution of the consumable expenses structure, with the decrease of the most expensive consumables.

Intellectual property expenses

Intellectual property expenses were 1.6 million euros and 0.7 million euros for the fiscal years ending December 31, 2009 and 2010, respectively.

These costs include the cost of filing and protecting our patents (including patents for which we acquired the rights from third parties and assumed the costs for filing and protection under the terms of the agreements with the patent owners) as well as the costs for obtaining an option or license for intellectual property. Application of IAS 38, in light of the degree of maturity of the Company and the uncertainty that exists as to the outcome of our research and development projects, requires us to recognize all intellectual property expenses for the fiscal year in which we incur the costs.

The costs of filing and protecting our patents came to 0.1 million euros for the fiscal years ending on December 31, 2009 and 2010. We filed 37 and 18 patent applications (initial applications or applications for extensions for our patents or patents we hold jointly with others) during the fiscal years ending on December 31, 2009 and 2010, respectively.

The costs of obtaining an option or license or acquiring intellectual property rights came to 1.5 million euros and 0.6 million euros during the fiscal years ending on December 31, 2009 and 2010, respectively. In 2009, we had to pay significant milestones to some of our licensors in connection to successful milestones with our drug candidates. In 2010, the intellectual property expenses mainly related to maintenance costs for our patents.

Other purchases and external expenses

Other purchases and external expenses came to 10.1 million euros and 7.1 million euros during the fiscal years ending on December 31, 2009 and 2010, respectively, broken down as follows:

	Year ended December 31	
In thousands of euros	**2009**	**2010**
Sub-contracting	6,566	3,813
Scientific consultancy and services	619	553
Leasing, maintenance and utility	1,024	900
Travel and conference costs	734	629
Non-scientific consultancy	451	509
Marketing, communication and public relations	372	358
Attendance fees	98	119
Others	196	175
Other purchases and external expenses	**10,059**	**7,056**

Sub-contracting expenses involve discovery research costs (financing research conducted externally, particularly academic research, antibody humanization technologies, manufacturing process development, etc.), pre-clinical development (pilot manufacturing, tolerance and pharmacology studies, etc.) and clinical costs (clinical trial management, etc.) outsourced to third parties.

The following table details these costs by category in the period under review:

	Year ended December 31	
In thousands of euros	**2009**	**2010**
Discovery research sub-contracting	927	841
Pre-clinical sub-contracting	804	497
Clinical sub-contracting	4,834	2,475
Sub-contracting	**6,566**	**3,813**

Sub-contracted clinical services primarily concern services for monitoring trials, as well as data, statistics and pharmacolovigilance management outsourced to clinical research companies (*Contract Research Organizations*, or "CRO"). The decrease in 2010 compared to 2009 is mainly explained by the end of the clinical program with IPH 1101. The costs related to this program were 3.5 million euros and 0.3 million euros during the fiscal years ending on December 31, 2009 and 2010, respectively.

Scientific consultancy and services consist of costs related to outside consultants assisting in the research and development of our products. It also covers fees paid to members of our Scientific committee. The decrease in this line item in between 2009 and 2010 is mostly explained by regulatory fees in 2009, in relation to the initiation of our Phase II program with IPH 2101.

In 2008, the Company moved to new, lease-financed premises in Marseille. The decrease in leases, maintenance and utility costs between 2010 and 2009 is mainly explained by residual costs in 2009 in relation to the previous premises of the Company, for 0.2 millions euros.

Travel and conference costs include expenses for employee travelling and attending conferences, particularly scientific, medical, business development and financial conferences. The participation to these meeting aims at maintaining the visibility, the expertise, and the credibility of the Company within these different communities.

Non-scientific consultancy are mostly fees paid to auditing firms, to our certified public accountant for his assistance in accounting, tax and employee matters, our lawyers for their assistance in negotiating collaboration and licensing agreements and general counselling assistance, to business strategy or development consultants and to recruitment fees.

Marketing, communications and public relations costs cover fees for our communication and public relations consultants, costs of developing and producing communication tools, such as our website and business reports.

The decrease in the non scientific “Other purchases and external expenses” line item between 2009 and 2010 is partly explained by the expense reduction program decided in early 2009 and pursued in 2010.

Employee benefit other than share-based compensation

Employee benefit other than share-based compensation came to 6.7 million euros and 6.2 millions euros for the fiscal years ending on December 31, 2009 and 2010, respectively. This includes salaries and social benefit costs.

On average we had 84.5 and 83.0 employees for the fiscal years ending on December 31, 2009 and 2010, respectively.

Employee expenses (salary and social costs) divided by the average number of employees over the year, i.e. the average cost per employee, showed an amount of 80 thousand euros and 75 thousand euros per employee for the fiscal years ending on December 31, 2009 and 2010, respectively.

In 2010, the decrease in the average employee benefits costs is explained by (i) additional bonuses paid in 2009 in relation to a increased attainment of pre-set goals, as well as (ii) in 2009, increase in some compensation packages and redundancy costs.

Share-based compensation

Share-based compensation came to 1.8 million euros and 0.03 million euros for the fiscal years ending on December 31, 2009 and 2010, respectively. These are costs associated with the potential compensation given to managers, employees and consultants through stock-options, warrants and free shares which would give them ownership in our share capital in the future. This potential, non-cash compensation, is accounted as an expense in accordance with the IFRS 2 standard.

The decrease in share-based compensation between the two periods under review is explained by the acceleration, in early 2009, of the vesting conditions of the free shares distributed in 2008.

Depreciation and amortization

These costs came to 1.1 million euros for the fiscal years ending on December 31, 2009 and 2010. The new premises of the Company are amortized since January 1, 2009. This expense amounted 373 thousand euros and 374 thousand euros for the fiscal years ending on December 31, 2009 and 2010, respectively.

Other income and expenses, net

We had a net cost of 0.3 million euros and 0.2 million euros for the fiscal years ending on December 31, 2009 and 2010 respectively. Other income and expenses mainly include certain indirect taxes, as well as exceptional income and expenses.

Net financial income

Our net financial income came to 0.9 million euros and is nil for the fiscal years ending on December 31, 2009 and 2010, respectively. The 2009 profit mainly resulted from a 1.1 million euros gain following the sale of financial instruments.

Thus far, we have not relied much on bank loans or lease-financing and have had positive banks balances, a situation which explains our net positive financial income in the period under review. Our cash investment policy favours the absence of risk on principal and, wherever possible, guaranteed minimum performance. We invest mostly in money market financial instruments.

The average balance of current cash investments and current financial instruments was 41.5 million euros and 41.9 millions euros for the fiscal years ending on December 31, 2009 and 2010, respectively [*].

Corporate tax

Because of the deficits reported for the last three fiscal years, we have not paid corporate tax. No deferred tax asset has been recorded as there is minimal likelihood of recovery. The research tax credit is not a corporate tax income according to IFRS. It is booked directly as operating revenue.

Net income/(loss) per share

The net loss per authorized and issued share came to 0.56 euros and 0.36 euros for the fiscal years ending on December 31, 2009 and 2010, respectively.

Balance sheet items:

Cash, cash equivalent and current financial instruments amounted to 34.6 million euros as of December 31, 2010, compared with 49.2 million euros as of December 31, 2009.

Since its incorporation in 1999, the Company has been primarily financed by issuing new securities. The Company has also generated cash flow from its licensing activities (mostly in relation to the agreements with Novo Nordisk A/S), government financing for research expenditure and repayable government financing (Oséo-Anvar). Financial debt amounted to 7.5 million euros as of December 31, 2010, out of which 4.4 million euros in relation to the long-term financing of property and equipment.

Post balance sheet event:

Beginning of 2011, Innate Pharma received a milestone payment from Novo Nordisk A/S related to the achievement of a pre-specified development milestone with the drug candidate IPH 2201 (NN8765).

[*] For the purposes of this analysis, the average balance of current cash investments and financial instruments for the period is defined as the arithmetical average of the cumulative balance for these items between the beginning and the end of the fiscal year.

Risk factors:

Risk factors affecting the Company are presented in paragraph 4 of the latest "Document de Référence" submitted to the French stock-market regulator, the "Autorité des Marchés Financiers" on April 23, 2010.

Annual financial report for 2010 and "Reference Document":

The Company intends to file its 2010 annual financial report as well as its "Reference Document" for the year so that these documents are made public in the second quarter of 2010.