French *société anonyme* governed by an executive board and a supervisory board with a share capital of 1,906,794.60 euros composed of 38,135,892 shares with 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, 2013

Interim financial situation as of June 30, 2013

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 September 17, 2013.

Summary

Innate Pharma at a glance

Innate Pharma S.A. (the “Company”) is a biopharmaceutical company developing first-in-class immunotherapy drugs for cancer and inflammatory diseases.

Its drug-candidates belong to a new class of therapeutic agents and consist of monoclonal antibodies aimed at immune regulatory checkpoints with a unique focus on the innate immunity compartment.

This approach has been validated by two major biopharmaceutical partners: Bristol-Myers Squibb in cancer and Novo Nordisk A/S in inflammation.

Incorporated in 1999 and listed on NYSE-Euronext in Paris in 2006, Innate Pharma is based in Marseilles, France, and had 84 employees as at June 30, 2013.

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 2013 are as follows:

- **A 2.2 million euros operating loss** for the first half of 2013, flat with the loss for the same period last year. Revenue and other income amounted to 7.0 million euros for the six-month period ended June 30, 2013 (2012: 7.7 million euros). Operating expenses amounted to 9.2 million euros for the same period (2012: 9.9 million euros). For the six-month period ended June 30, 2013, almost 80% of the operating expenses were research and development expenses.
- **A solid balance sheet**: 24.7 million euros in cash and cash equivalents as at June 30, 2013, and 4.1 million in financial debt, of which 3.3 million euros are related to long term lease-financing. Based on its current programs, the Company estimates that it has sufficient cash to fund operations into mid-2015 (this estimate does not take into account any non-recurring revenue).

The table below summarizes the IFRS consolidated financial statements for the six-month period ended June 30, 2013, with a comparison to the same period in 2012:

	6-month period ended June 30	
In thousands of euros, except for data per share	2013	2012
Revenue and other income	**6,978**	**7,719**
Research and development	(7,003)	(7,689)
General and administrative	(2,152)	(2,230)
Net operating expenses	**(9,155)**	**(9,919)**
Operating income/(loss)	**(2,177)**	**(2,200)**
Financial income	339	513
Financial expenses	(152)	(159)
Share of profit (loss) of associates and joint ventures	(332)	(174)
Net loss	**(2,323)**	**(2,021)**
Weighted average number of shares outstanding (in thousands)	38,003	37,687
Net loss per share	(0.06)	(0.05)

	June 30, 2013	December 31, 2012
Cash and cash equivalents	24,739	32,616
Total assets	41,820	48,295
Shareholders' equity	21,481	23,264
Total financial debt	4,088	4,505

Revenue and other income:

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

	6-month period ended June 30	
In thousands of euros	**2013**	**2012**
Revenue from collaboration and licensing agreements	4,534	5,365
Government funding for research expenditures	2,444	2,354
Revenue and other income	**6,978**	**7,719**

For the six-month periods ended June 30, 2012 and 2013, revenue from collaboration and licensing agreements came from the licensing agreement signed with Bristol-Myers Squibb in July 2011. Following this agreement, the Company received an upfront payment of 24.9 million euros (35.3 million U.S. dollars). This upfront payment, non-refundable and non-creditable, is recognized in turnover during the expected period of duration of the clinical program in course at the date of the contract. The amount that is not yet recognized as turnover is booked as deferred revenue in the balance sheet (9.4 million euros at June 30, 2013). In addition to this payment, the Company invoiced back to Bristol-Myers Squibb the amount of external costs related to the licensed program as provided in the agreement.

Government funding for research costs is mostly composed of the research tax credit (2.4 million euros as at June 30, 2013 vs. 2.1 million euros as at June 30, 2012, including grants for 0.3 million euros). The 2012 research tax credit should be cashed in by the end of the fiscal year.

Net operating expenses, by business function:

The following table breaks down the net operating expenses by function for the periods under review:

	6-month period ended June 30	
In thousands of euros	**2013**	**2012**
Research and development expenses	(7,003)	(7,689)
General and administrative expenses	(2,152)	(2,230)
Net operating expenses	**(9,155)**	**(9,919)**

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

The variance in R&D expenses between the two periods under review (7.0 million euros for the six-month period ended June 30, 2013 vs. 7.7 million euros for the same period last year, or -9%) mainly results from the decrease of subcontracting costs related to the program IPH2101. Indeed, several trials of this program were completed at the end of 2012. At the same time, a Phase II trial "Effikir" with lirilumab was launched, with a first patient recruited in December 2012. As at June 2013, the number of patients was in line with the expectations.

R&D expenses accounted for 76% of net operating expenses for the six-month period ended June 30, 2013 (2012: 78%).

General and administrative ("G&A") expenses mostly comprise costs of the "support" staff as well as external expenses for the management and development of our business. The amount of these costs is flat between the two periods under review.

G&A expenses accounted for 24% of net operating expenses for the six-month period ended June 30, 2013 (2012: 22%).

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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	**2013**	**2012**
Costs of supplies and consumable materials	(722)	(598)
Intellectual property expenses	(119)	(131)
Other purchases and external expenses	(4,522)	(5,382)
Employee benefits other than share-based compensation	(3,240)	(3,254)
Depreciation and amortization	(430)	(463)
Other income and (expenses), net	(121)	(91)
Net operating expenses	**(9,155)**	**(9,919)**

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

- Costs of supplies and consumable materials: the rise in these expenses between the two periods under review (0.7 million euros for the six-month period ended June 30, 2013 vs. 0.6 million euros for the six-month period ended June 30, 2012, or +21%) mainly results from the increase of the discovery activities and the launch of new pre-clinical projects.
- Other purchases and external expenses: the variance in these expenses between the two periods under review (4.5 million euros vs. 5.4 million euros for the six-month period ended June 30, 2013 and 2012 respectively, or -16%) mainly results from the decrease in subcontracting costs relating to the program IPH2101. Indeed, several trials of this program were completed by December 2012.
- Employee benefits other than share-based compensation: these costs are flat between the two periods under review.

Balance sheet items:

Cash and cash equivalents amounted to 24.7 million euros as at June 30, 2013, as compared to 32.6 million euros as at December 31, 2012. Cash and cash equivalents do not include the reimbursement of the 2012 research tax credit which will be cashed in during the second half year (3.8 million euros).

Since its incorporation in 1999, the Company has been primarily financed from revenue from its licensing activities (mostly in relation to the agreements with Novo Nordisk A/S and Bristol-Myers Squibb) and by issuing new securities. The Company also generated cash from government financing for research expenditure and repayable advances (Oséo-Anvar). As at June 30, 2013, these repayable advances amount to 0.6 million euros booked in current financial liabilities.

The other key balance sheet items as at June 30, 2013 are as follows:

- Receivables from the French government in relation to research tax credit for the year 2012 (6.2 million euros) and the six-month period ended June 30, 2013;
- Deferred revenue for 9.4 million euros related to the part of the initial payment from Bristol-Myers Squibb not yet recognized as turnover (including 1.8 million euros classified as 'Other non-current liabilities');
- Shareholders' equity of 21.5 million euros including the net loss for the period (2.3 million euros).

Cash-flow items:

The net cash flow used in operations over the six-month period ended June 30, 2013 amounted to 7.8 million euros, compared to a net cash flow of 8.9 million euros used in operations for the same year-ago period.

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

- A loss of 2.3 million euros for the six-month period ended June 30, 2013, including 3.8 million euros relating to the spreading over of the upfront payment received from Bristol-Myers Squibb in July 2011;
- A 2.4 million euros working capital increase, resulting from the debt relating to the H1 2013 research tax credit;
- The reimbursement during the six-month period ended June 30, 2013 of financial liabilities for 0.4 million euros (Oséo advances and finance leases);
- The net proceed from the issuance of shares (0.4 million euros).

Other elements

None to be reported.

Key events since January 1, 2013

- Presentation during major scientific and medical meetings of posters relating to lirilumab, IPH33 et IPH41;
- Completion of patient enrolment in the Phase I trial testing IPH2201/NN8765, candidate licenced to Novo Nordisk A/S;
- Changes in governance :
    - Appointment of Dr. Michael Caligiuri, CEO of The James Cancer Hospital and Director of the Comprehensive Cancer Center at The Ohio State University, as a new member of the Supervisory Board during the Annual General Meeting (“AGM”) which took place on June 28, 2013;
    - Appointment of O.G.B.B.A. van Herk B.V, a Dutch investment fund, as a new observer on the Supervisory Board;
    - New Novo Nordisk A/S representative at the Supervisory Board, Mr Falk, Senior Vice President Biopharmaceutical Research ;
    - Appointment of Ron Levy, Professor and Chief Division of Oncology at Stanford School of Medecine, at the Scientific advisory board of Innate Pharma.

Nota

The interim consolidated financial statements for the six-month period ended June 30, 2013 have been subject to a limited review by our Statutory Auditors and were approved by the Executive Board of the Company on September 17, 2013. They were reviewed by the Supervisory Board of the Company on September 17, 2013. They will not be submitted for approval to the general meeting of shareholders.

Risk factors

Risk factors identified by the Company are presented in paragraph 5 of the “Document de Référence” submitted to the French stock-market regulator, the “Autorité des Marchés Financiers”, on March 18, 2013.

Related party transactions:

Transactions with related parties during the periods under review are disclosed in Note 20 to the Interim consolidated financial statements prepared in accordance with IAS 24 revised.

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

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France

To the Shareholders,

In compliance with the assignment entrusted to us by the General Manager 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 condensed interim financial statements of Innate Pharma, for the six months ended June 30, 2013;

• the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the General Manager. 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 interim 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.

2. Specific verification

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

Marseille, September 17, 2013

The Statutory Auditors

French original signed by

AUDIT CONSEIL EXPERTISE, SA	**PRICEWATERHOUSECOOPER AUDIT**
Member of PKF International	
Nicolas Lehnertz	Vincent Thyssen

III. Interim consolidated financial statements

Consolidated Interim Balance Sheet
(in thousands of euros)

	Note	June 30, 2013	December 31, 2012
Assets			
Current Assets			
Cash and cash equivalents	4	22,751	30,584
Financial instruments	4	1,988	2,032
Current receivables	5	10,405	8,381
Total current assets		**35,144**	**40,997**
Non-current assets			
Intangible and tangible assets	6	6,535	6,824
Associates and joint ventures	7	143	475
Other non-current assets		-	-
Total non-current assets		**6,678**	**7,299**
Total assets		**41,820**	**48,295**
Liabilities			
Current liabilities			
Trade payables	8	13,791	14,186
Financial liabilities	9	1,161	1,178
Provisions		-	-
Total current liabilities		**14,952**	**15,364**
Non-current liabilities			
Financial liabilities	9	2,297	3,327
Defined benefit obligations	10	694	643
Other non-current liabilities	11	1,766	5,597
Total non-current liabilities		**5,386**	**9,567**
Capital and reserves attributable to equity holders of the Company			
Share capital	12	1,907	1,897
Share premium		108,996	108,552
Retained earnings		(87,069)	(83,870)
Net income (loss)		(2,323)	(3,199)
Other reserves		(31)	(17)
Total capital and reserves attributable to equity holders of the Company		**21,481**	**23,364**
Total liabilities and equity		**41,820**	**48,295**

Consolidated Interim Income Statement
(in thousands of euros)

	Note	6-month period ended June 30 2013	2012
Revenue from collaboration and licensing agreements	13	4,534	5,365
Government financing for research expenditures	13	2,444	2,354
Revenue and other income		**6,978**	**7,719**
Cost of supplies and consumable materials	14	(722)	(598)
Intellectual property expenses		(119)	(131)
Other purchases and external expenses	14	(4,496)	(5,382)
Employee benefits	15	(3,266)	(3,254)
Depreciation and amortization		(430)	(463)
Other income and (expenses), net	16	(121)	(91)
Net operating expenses		**(9,156)**	**(9,919)**
Operating income (loss)		**(2,177)**	**(2,200)**
Financial income	17	339	513
Financial expenses	17	(152)	(159)
Share of profit (loss) of associates and joint ventures	7	(332)	(174)
Net income (loss) before tax		**(2,323)**	**(2,021)**
Income tax expense		-	-
Net income (loss)		**(2,323)**	**(2,021)**
Net income (loss) per share attributable to the equity holders of the Company:			
(in € per share)			
- basic	21	(0,06)	(0,05)
- diluted	21	(0,06)	(0,05)

Statement of comprehensive income
(in thousands of euros)

	6-month period ended June 30	
In thousands of euros	**2013**	**2012**
Net loss for the period:	**(2,323)**	**(2,021)**
Elements which will be recycled in the income statement		
Elements which won't be recycled in the income statement		
Actuarial gains and (losses)	(10)	
Currency translation gain / (loss)	(4)	
Other comprehensive income for the period:	**(14)**	**-**
Comprehensive income for the period:	**(2,337)**	**(2,021)**

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

	6-month period ended June 30	
	2013	2012
Net income (loss)	**(2,323)**	**(2,021)**
Depreciation and amortization	430	428
Provisions for charges and defined benefit obligations	41	36
Share of profit (loss) of associates and joint ventures	332	174
(Gains) / losses on disposal of fixed assets	3	-
Gains on assets and other financial assets	(271)	(410)
Net interests paid	75	26
Operating cash flow before changing in working capital	**(1,714)**	**(1,767)**
Current receivables and prepayments	(2,019)	(4,321)
Deferred revenue	(3,831)	(3,978)
Trade payables	(395)	3,376
Net cash generated from / (used in) operating activities:	**(7,959)**	**(6,690)**
Acquisition of property, plant and equipment	(259)	(872)
Variance of current account of associate and joint venture	-	(153)
Disposal of fixed assets	117	-
Acquisition of current financial assets	(1,988)	-
Disposal of current financial assets	2,038	-
Gains on assets and other financial assets	271	410
Net cash generated from / (used in) investing activities:	**179**	**(615)**
Transactions on treasury shares	19	44
Issue of own shares	420	-
Repayment of financial liabilities	(417)	(1,578)
Net interests paid	(75)	(26)
Net cash generated from financing activities:	**(53)**	**(1,560)**
Effect of the exchange rate changes	-	-
Net increase / (decrease) in cash and cash equivalents:	**(7,833)**	**(8,866)**
Cash and cash equivalents at the beginning of the period:	30,584	46,606
Cash and cash equivalents at the end of the period:	**22,751**	**37,739**

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, 2012	**1,884**	**108,449**	**(76,889)**	**(6,980)**	**161**	**26,625**
Net loss for the six-month period ended June 30, 2012	-	-	-	(2,021)	-	(2,021)
Total comprehensive income for the period	**-**	**-**	**-**	**(2,021)**	**-**	**(2,021)**
Net loss appropriation for 2011	-	-	(6,980)	6,980	-	-
Liquidity contract – Treasury shares	-	44	-	-	-	44
Total contributions by and distributions to owners of the company, recognized directly in equity	**-**	**44**	**(6,980)**	**6,980**	**-**	**44**
Balance as at June 30, 2012	**1,884**	**108,492**	**(83,869)**	**(2,021)**	**161**	**24,648**
Net loss for the six-month period ended December 31, 2012	-	-	-	(1,178)	-	(1,178)
Actuarial gains / losses)					(190)	(190)
Foreign exchange gain / (loss)	-	-	-	-	12	12
Total comprehensive income for the period	**-**	**-**	**-**	**(1,178)**	**(178)**	**(1,356)**
Definitive grant of own shares	12	(12)	-	-	-	-
Liquidity contract – Treasury shares	-	72	-	-	-	72
Total contributions by and distributions to owners of the company, recognized directly in equity	**12**	**60**	**-**	-	**(190)**	**72**
Balance as at December 31, 2012	**1,897**	**108,552**	**(83,870)**	**(3,199)**	**(17)**	**23,364**
Net loss for the six-month period ended June 30, 2013	-	-	-	(2,323)	-	(2,323)
Actuarial gains and losses	-	-	-	-	(10)	(10)
Foreign exchange gain / (loss)	-	-	-	-	(4)	(4)
Total comprehensive income for the period	-	-	-	**(2,323)**	**(14)**	**(2,337)**
Net loss appropriation for 2012	-	-	(3,199)	3,199	-	-
Directoire 24th May 2013 – Exercise BSA 2007	10	394	-	-	-	404
Directoire 27th May 2013 – Subscription BSAAR 2012	-	16	-	-	-	16
Liquidity contract – Treasury shares	-	34	-	-	-	34
Total contributions by and contributions to owners of the Company, recognized directly in equity	**10**	**444**	**(3,199)**	**3,199**	**-**	**454**
Balance as at June 30, 2013	**1,907**	**108,996**	**(87,069)**	**(2,323)**	**(31)**	**21,481**

1) The Company

Innate Pharma is a biopharmaceutical company developing first-in-class immunotherapy drugs for cancer and inflammatory diseases. Based in Marseilles, France, it had 84 employees as at June 30, 2013. It was incorporated in 1999 and listed on NYSE-Euronext in Paris in 2006.

The Company specializes in the development of new monoclonal antibodies targeting receptors and pathways controlling the activation of innate immunity cells. The mechanisms controlling these cells were described at the end of the 90's, notably by the teams of the scientists who founded Innate Pharma.

On the basis of this science, Innate Pharma develops drug candidates with immuno-stimulating properties in cancer and with immuno-blocking properties in inflammatory conditions. Furthermore, many of the ligands to the innate immunity receptors are expressed on tumor cells, opening the way to the development of directly cytotoxic antibodies.

The most advanced drug-candidates of the Company are licensed to major biopharmaceutical groups. irilumab, currently in Phase II trial in cancer, is licensed to Bristol-Myers Squibb, and IPH2201, developed in inflammation, is licensed to Novo Norsdisk A/S and is currently in Phase I trial.

Innate Pharma's key expertise is in immunopharmacology and antibody technology. The Company has a large panel of molecular and cellular assays and in vivo models for assessing the pharmacodynamics, the pharmacotoxicology and efficacy 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.

The Company has share holdings in two companies. Innate Pharma, Inc. is a company registered in Delaware, United States, created in 2009 to manage Innate Pharma's business development activities in the US. This fully consolidated company has been dormant since January 1st, 2011. Platine Pharma Services SAS is a 49.62% owned company, created on March 30, 2011 following the acquisition by Trangene SA of a 50% shareholding in the company Innate Pharma Services SAS, a fully-owned subsidiary of Innate Pharma SA. The company changed its name on March 30, 2011.

The Company is and should continue, in the near to mid-term, to be financed primarily through the issuance of new equity instruments as well as through partnering activity. The Company's activity is not subject to seasonal fluctuations.

The Executive Board approved these interim consolidated financial statements presented under IFRS on September 17, 2013. They were also examined by the Supervisory Board on the same day and were subject to a limited review by the statutory auditors of the Company. They are not subject to approval by the General Meeting of shareholders.

2) Accounting policies

a) Basis of preparation

The interim consolidated financial statements for the six-month period ended June 30, 2013 have been prepared in accordance with IAS 34, 'Interim Financial Reporting' from the International Financial Reporting Standards (IFRS) as adopted by the European Union. They should be read in conjunction with the annual consolidated financial statements as at December 31, 2013 prepared in accordance with IFRS as adopted by the European Union and presented in paragraph 20.1 of the "Document de Référence" submitted to the French stock-market regulator, the "Autorités des Marchés Financiers", on March 18, 2013.

b) Accounting policies

The accounting policies applied are the same as those adopted in the preparation of the annual financial statements as at December 31, 2012 in accordance with IFRS as adopted by the European Union.

Application of the following new and amended standards is mandatory for the first time for the financial period beginning on January 1, 2013 and, as such, they have been adopted by the Company:

- Amendment to IAS 1, Presentation of items of Other Comprehensive Income, mandatory for annual periods beginning on or after July 1, 2012;
- IFRS 13, Fair value measurement, mandatory for annual periods beginning on or after January 1, 2013;
- Amendment to IFRS 1, First-time adoption of International Financial Reporting Standards regarding severe hyperinflation and removal of fixed dates for the first-time adopters, mandatory for annual periods beginning on or after January 1, 2013;
- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, mandatory for annual periods beginning on or after January 1, 2013;
- Amendment to IFRS 7 and IAS 32, Disclosure – Offsetting financial assets and financial liabilities;
- Amendment to IAS 12 Recovery of underlying assets; and
- Amendment to IAS 19, Employee benefits.

None of these amendments and interpretations has a significant impact on the financial statements of the Company for the six-month period ended June 30, 2013.

The following new standards, amendments to existing standards and interpretations have been published but are not applicable in 2013, and have not been early adopted by the Company:

- IFRS 10 Consolidated financial statements, IFRS 11 Joint arrangements and IFRS 12 Disclosure of interests in other entities, mandatory for annual periods beginning on or after January 1, 2014;
- Amendment to IAS 27, Separate financial statements, mandatory for annual periods beginning on or after January 1, 2014;
- Amendment to IAS 28, Investments in associates and joint ventures, mandatory for annual periods beginning on or after January 1, 2014;
- Amendment to IAS 32, Recovery of underlying assets, mandatory for annual periods beginning on or after January 1, 2014;
- IFRS 9, Financial instruments (no mandatory date yet) mandatory for annual periods beginning on or after January 1, 2015.

c) Consolidation using the equity method

Innate Pharma owns a 49.62% shareholding in Platine Pharma Services SAS. This entity is consolidated using the equity method.

According to this method, the holding of the Company is booked at cost, adjusted by the cumulative impact of the post operation variances and reduced by the amount of the dividends distributed. The net book value of Platine Pharma Services is presented in the balance sheet in the line item "Associates and joint-ventures".

The share of the Company of the profits or losses of Platine Pharma Services is presented in the line item 'Share of profit (loss) of associates and joint ventures' in the income statement.

3) Management of financial risks

Interim consolidated financial statements do not include all the information relating to financial risks described in the annual consolidated financial statements. The main financial risk to which the Company is exposed is foreign exchange risk.

Most of the Company's expenses are denominated in euros. Revenues from the main license agreement are denominated in U.S. dollars. The changes in the exchange rate between the euro and the U.S. dollar may therefore have an impact on the results of the Group.

4) Cash, cash equivalents and current financial instruments

	June 30, 2013	December 31, 2012
Cash and cash equivalents	22,751	30,584
Current financial instruments	1,988	2,032
Cash, cash equivalents and current financial instruments	**24,739**	**32,616**

Cash and cash equivalents

Cash and cash equivalents are composed of current accounts and fixed term accounts.

	June 30, 2013	December 31, 2012
Current accounts	6,646	8,463
Fixed term accounts	16,105	22,121
Cash and cash equivalents	**22,751**	**30,584**

Fixed terms accounts owned by the Company respect the criteria to be classified as cash equivalents: amounts invested are indeed available on a day to day basis the capital is free of risk and easily convertible into know amounts of cash.

Current financial instruments

The Company subscribed some shares of a mutual fund. Valuation of these shares as at June 30, 2013 amounts to 1,988 thousands euros. Amounts invested are available on a day to day basis and are easily convertible into known amounts of cash. However, the capital is not free of risk.

5) Current receivable

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

	June 30, 2013	December 31, 2012
Research tax credit	6,245	3,771
Trade receivables	2,209	2,632
Prepaid expenses	1,116	1,083
VAT refund	481	512
Liquidity contract – Cash position	181	151
Grants and government subsidies	128	128
Other receivables	40	35
Prepayments made to suppliers	5	65
Current receivables and prepayments	**10,405**	**8,381**

Trade receivables are related to Bristol-Myers Squibb and mainly correspond to the subcontracting costs necessary to complete the trials currently being performed by the Company.

6) Intangible and tangible assets

Intangible and tangible can be broken down as follows (in thousands of euros):

	Buildings (1)	Laboratory equipment and other tangible assets	Property, plant and equipment and other tangible assets in progress	Total
Year ended December 31, 2012				
Net opening balance	**5,541**	**898**	**3**	**6,442**
Acquisitions	13	982	230	1,225
Disposals	-	(3)	-	(3)
Depreciation	(380)	(459)	-	(839)
Reclassification	-	3	(3)	-
Net closing balance	**5,174**	**1,421**	**230**	**6,824**
6-month period ended June 30, 2013				
Net opening balance	**5,174**	**1,421**	**230**	**6,824**
Acquisitions	-	230	30	260
Disposals	-	(117)	-	(117)
Depreciation	(191)	(240)	-	(431)
Reclassification	-	229	(229)	-
Net closing balance	**4,983**	**1,523**	**30**	**6,535**

(1) Gross value of the land amounts to 772 thousand euros. The land is not depreciated.

7) Associates and joint ventures

The Company has a joint control with Transgene SA over Platine Pharma Services. The Group accounts for its 50% shareholding in the company Platine Pharma Services SAS using the equity method.

	Shares	Current account	Total
At December 31, 2010	**-**	**-**	**-**
Fair value of the shares at March 30, 2011*	654	-	**654**
Cash advances	-	262	**262**
Share of loss for the fiscal year 2011	(225)	-	**(225)**
At December 31, 2011	**429**	**262**	**692**
Cash advances	-	156	**156**
Share of loss for the fiscal year 2012	(371)	-	**(371)**
At December 31, 2012	**58**	**418**	**475**
Cash advances	**-**	**-**	**-**
Share of loss for the six month period ended on June 30, 2013	(58)	(274)	(332)
At June 30, 2013	**-**	**143**	**143**

Information related to Platine Pharma Services is summarized in the following table:

	June 30, 2013	December 31, 2012
Total assets	1,116	1,357
Total liabilities	(2,056)	(1,621)
Share of net assets	**(466)**	**(131)**
Operational revenue	500	1 700
Net results	(670)	(747)
Share of net results	**(332)**	**(371)**

* In the context of the acquisition of an entity interest by Transgene SA, the fair value of Platine Pharma Services SAS for 100% of the shares has been set to 1.3 million euros as at March, 30 2011 on the basis of the contribution evaluated by the parties.

8) Trade payables

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

	June 30, 2013	December 31, 2012
Suppliers	4,773	4,670
Tax and social liabilities	1,247	1,711
Other payables (subsidies)	108	142
Deferred income	7,663	7,663
Trade payables	**13,791**	**14,186**

Deferred income is related to the part of the initial payment received from Bristol-Myers Squibb which will be recognized over the course of the next twelve months.

9) Financial liabilities

This line item breaks down as follows (in thousands of euros):

	June 30, 2013	December 31, 2012
Oséo	618	618
Finance leases	544	560
Total – Current financial liabilities	**1,162**	**1,178**
Oséo	-	131
Finance leases	2,922	3,196
Total – Non current financial liabilities	**2,922**	**3,327**
Total financial liabilities	**4,084**	**4,505**

Financings from Oséo accounted as financial liabilities are grants that are reimbursable in the event of success. They do not bear any interest.

Lease-finance obligations relate primarily (i) the real estate transaction in relation the acquisition by the Company of its new headquarters and main laboratories, as well as (ii) laboratory equipment, office furniture and computer equipment.

The amounts presented in current liabilities as at June 30, 2013 are to be repaid within 12 months. The other items are mainly fixed assets acquired by finance-lease.

The table below details the repayment schedule of the aforementioned borrowings (in thousands of euros):

Repayment schedule	2014	2015	2016	2017	≥2018	Total
Oséo	618	-	-	-	-	**618**
Finance leases	544	444	462	482	1,534	**3,466**
Total	**1,162**	**444**	**462**	**482**	**1,534**	**4,084**

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

Repayment schedule	2014	2015	2016	2017	≥2018	Total
Oséo	618	-	-	-	-	**618**
Finance leases	676	555	554	554	1,628	**3,967**
Total	**1,294**	**555**	**554**	**554**	**1,628**	**4,585**

10) Pension benefits

The Company's pension benefits correspond to indemnities due to employees who leave the Company in the context of their retirement. The Company uses an external actuary firm so as to evaluate this provision corresponding to the fair value of the obligations not covered by plan assets.

11) Other non-current liabilities

The other non-current liabilities are composed of the part of the upfront payment received from Bristol-Myers Squibb which will be recognized in profit and loss after the period ended June 30, 2014.

12) Capital

Share Capital

As at December 31, 2012, the share capital was composed of 37,935,894 common shares with a 0.05 euro par value, or a share capital amounting to 1,896,794.70 euros. Following the exercise of 199 998 BSA 2007 for which the settlement date was May 16, 2013, the share capital increased to 1,906,794,60 euros for 38,135,892 shares, minuted by the Executive Board dated May 24, 2013. There has been no change in the share capital and the number of shares since this date. The exercise price received by the Company was booked in share capital for 10 thousand euros and in share premium for 393 thousand euros.

Issuance of free shares ("BSA")

The Executive Board dated July 29, 2011, as per delegation given by the General Meeting of shareholders dated June 29, 2009, authorized the issuance of 325,000 BSA including 100,000 BSA 2011-1 and 225,000 BSA 2011-2, to independent members of the Supervisory Board, consultants and members of the Scientific Committee. Each BSA was subscribed for 0.01 euro and gives right to the subscription of a new share at a price of 1.77 euro.

Issuance of redeemable warrants ("BSAAR")

On June 18, 2010, the Company distributed 100 000 redeemable warrants ("BSAAR") to company officers and certain employees, as per a delegation given by the General Meeting of shareholders dated June 23, 2009. All BSAAR were acquired by beneficiaries. Each BSAAR will give beneficiaries the option to acquire one new share of the Company at a price of 2.34 euros within the five years following their distribution.

On September 9, 2011, as per delegation given by the General Meeting of shareholders dated June 29, 2011, the Company proposed 1,000,000 BSAAR 2011 to certain employees and company officers. On January 11, 2012, the Executive Board minuted the subscription of 650,000 BSAAR 2011 out of the 1,000,000 proposed BSAAR. Each BSAAR 2011 gives right to the subscription of one new share at a price of 2.04 euros. During a 24 months period following the Executive Board dated September 9, 2011, the BSAAR 2011 can be subscribed on a monthly basis by each beneficiary for an amount equal to 1/24 of the number of BSAAR 2011 which were attributed to him/her. The exercise period of the BSAAR 2011 was fixed to 10 years from their issuance date.

On May 27, 2013, as per delegation given by the General Meeting of shareholders dated June 28, 2012, the Company proposed 200,000 BSAAR 2012 to employees. On July 3, 2013, the Executive Board minuted the subscription of 146,050 BSAAR 2012 out of the 200,000 proposed BSAAR. Each BSAAR 2012 gives right to the subscription of one new share at a price of 2.04 euros. During a 24 months period following the Executed Board dated May 27, 2013, that is to say until May 27, 2015, the BSAAR 2012 can be subscribed on a monthly basis by each beneficiary for an amount equal to 1/24 of the number of BSAAR 2012 which were attributed to him/her. The exercise period of the BSAAR 2012 was fixed to 10 years from their issuance date. The subscription price received by the Company was booked in share premium for 16 thousand euros.

Potential capital

As at June 30, 2013, the number of shares that could be issued from outstanding warrants (360,000), outstanding stock-options (13,000 stock-options that would result in 260,000 shares) and outstanding

repayable warrants (896,050) totaled 1,516,050, representing approximately 3.80% of the Company's share capital based on the existing number of shares on a fully diluted basis (i.e. 39,651,942).

Treasury shares

From August 31, 2012, the Company has mandated Gilbert Dupond to manage this brokering/liquidity contract. As at June 30, 2013, the Company held 75,277 treasury shares (86,829 as December 31, 2012) for a total amount of 169 thousand euros (188 thousand euros as at December 31, 2012).

13) Revenue and other income

Revenue from collaboration and licensing agreements

For the six-month period ended June 30, 2013, revenue from collaboration and licensing agreements came from the licensing agreement signed with Bristol-Myers Squibb in July 2011:

- Following this agreement, the Company received an upfront payment of 24.9 million of euros (35.3 million dollars). This upfront payment, which is non-refundable and non-creditable, is recognized in turnover during the expected period of duration of the clinical program in course at the date of the contract. As at June 30, 2013, the whole amount is non-refundable and non-creditable;

- The invoicing of the subcontracting costs necessary to complete the trials currently being performed by the Company.

Government financing for research expenditures

As at June 30, 2013, 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).

14) 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 substances and/or drug products manufactured by third-parties.

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

	6-month period ended June 30	
	2013	2012
Subcontracting	(2,816)	(3,659)
Leases, maintenance and utilities	(431)	(350)
Non-scientific advisory and consulting	(383)	(399)
Travel expenses and participation to congresses	(349)	(343)
Scientific advisory and consulting	(207)	(223)
Marketing, communication and public relations	(152)	(222)
Attendance fees	(75)	(60)
Insurance	(45)	(53)
Telecommunications and postal services	(41)	(35)
Bank charges	(8)	(7)
Others, net	(15)	(31)
Other purchases and external expenses	**(4,522)**	**(5,382)**

15) Employee benefits

This item line amounted to 3,240 thousand euros and 3,254 thousand euros for the six-month periods ended June 30, 2013 and 2012 respectively. The Company had 84 employees as at June 30, 2013 (compared to 82 as at December 31, 2012).

16) Other income and expenses, net

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

	6-month period ended June 30	
	2013	2012
Taxes	(92)	(85)
Other income / (expenses)	(29)	(6)
Other income and expenses, net	**(121)**	**(91)**

17) Financial income and expenses, net

Financial income and expenses can be analyzed as follows (in thousands of euros):

	Six month period ended June 30	
	2013	2012
Gains on financial instruments	271	410
Foreign exchange gains	42	66
Other financial income	26	37
Financial income	**339**	**513**
Interests on borrowings and finance-leases	(101)	(116)
Foreign exchange losses	(51)	(42)
Financial expenses	**(152)**	**(159)**
Financial income and expenses, net	**186**	**354**

Interest paid on borrowings notably includes the finance lease agreement relating to the acquisition and refurbishment of the Company's main premises.

18) Income tax

Taking into account its stage of development which prevents management from making sufficiently reliable financial forecasts, the Group does not recognize deferred tax assets. Temporary differences mainly result from finance leases, provision for defined benefit obligation and tax loss carry forward. As att June 30, 2013, the net amount of deferred tax assets excluding tax loss carry forward was 123 thousand euros.

Taking into account the tax regulations, the Company had tax losses to be carried forward with no time limit for a total amount of 118 million euros as at December 31, 2012 (109 million euros as December 31, 2011).

19) Commitments, contingencies and litigation

On April 2, 2012, Platine Pharma Services SAS received a proposed adjustment following a tax audit. The adjustment amounts to 91 thousand euros. The management of Platine Pharma Services is contesting this adjustment. The period subject to the tax audit was prior to the acquisition by Transgene of an equity interest in Platine Pharma Services. Therefore, in accordance with the

liabilities guarantee clause, the contingent liability resulting from this adjustment would only concern Innate Pharma SA.

On June 27, 2013, The Company received a summons to appear before the conciliation board of the labor relations tribunal of Marseille (bureau de conciliation du Conseil de Prud'hommmes de Marseille). The claim amounts to 91 thousand euros. Based on currently available information, the Company considers the risk as uncertain as at the end of June 2013. As a consequence, no provision was booked in the June 30, 2013 balance sheet.

20) Related party transactions

Members of the Executive Board and Executive Committee

The following compensations were granted to members of the executive committee of the Company and were expensed during the period under review (in thousands of euros):

	6-month period ended June 30	
	2013	2012
Salaries and short-term employee benefits	371	435
Extra pension benefits	7	4
Consultancy fees	202	196
Key management compensation	**580**	**635**

There were six members of the executive committee as at June 30, 2016 (six as at June 30, 2012).

Joint-ventures

The Company entered into sub-contracting services towards Platine Pharma Services. The amount invoiced to Innate Pharma by Platine Pharma Services for the six month period ended June 30, 2013 is 395 thousand euros VAT included (807 thousand of euros for the same year-ago period). According to the percentage of completion, the amount recognized as expense during the six month period ended June 30, 2013 amounted to 334 thousand euros VAT excluded (476 thousand of euros for the same year-ago period).

21) 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 ended June 30	
	2013	2012
Net loss for the period	(2,323)	(2,021)
Weighted average number of ordinary shares issued (in thousands)	38,003	37,687
Basic loss per share (€ per share)	(0.06)	(0.05)

Diluted

Diluted loss per share is calculated by adjusting the weighted number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at June 30, 2012 and 2013, warrants, stock options and free shares allocated but not yet acquired did not have a dilutive effect.

	6-month period ended June 30	
	2013	2012
Net loss for the period	(2,323)	(2,021)
Weighted average number of ordinary shares issued (in thousands)	38,003	37,687
Adjustment for warrants, stock options and free shares (in thousands)	-	-
Diluted loss per share (€ per share)	(0.06)	(0.05)

22) Post balance sheet events

On July 31, 2013, the general shareholders' meeting of Platine Pharma Services SAS, of which Innate Pharma SA owns 49.62% of the capital, approved a merge between Platine Pharma Services SAS and Indicia Biotechnology SA. As a consequence, Indicia Biotechnology SA proceeded to a partial asset transfer in favour of Platine Pharma Services SAS.

Before this operation, the equity of Platine Pharma Services SAS was restored by a capital increase via incorporation of debt towards the shareholders Transgène SA and Innate Pharma SA for a global amount of 677 thousands of euros (including 339 thousand euros for the Company).

Following these operations, Innate Pharma SA owns 33.26% of Platine Pharma Services SAS.

23) Income statement by function

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

	6-month period ended June 30	
	2013	2012
Revenue from collaboration and licensing agreements	4,534	5,365
Government financing for research expenditures	2,444	2,354
Operating revenue	**6,978**	**7,719**
Research and development expenses	(7,003)	(7,689)
General and administrative expenses	(2,152)	(2,230)
Net operating expenses	**(9,155)**	**(9,919)**
Operating income / (loss)	**(2,177)**	**(2,200)**
Financial income (expenses), net	186	354
Share of profit (loss) of associates and joint ventures	(332)	(174)
Net income / (loss)	**(2,323)**	**(2,021)**

In accordance with IFRS 8 – Operating segments, the information presented above is based on the internal reporting presented to the Chief Operating Decision Maker. Segments defined by the Company are General and administrative (G&A) expenses and research and development expenses (R&D). The core activity of the Company consists of managing a portfolio of drug candidates (identification and development of drug-candidates). Costs related to this activity are merged in the R&D segment. Costs of the support activities (finance, human resources, legal…), are merged in the G&A segment.

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

I hereby declare, to the best of my knowledge, that the financial statements for the last six month period have been prepared in accordance with generally accepted accounting principles and give a true and fair view of the assets and liabilities, the financial position and the results of the Company, and that the interim financial report beginning on page 3 reflects the changes in the turnover, results and financial position of the Company 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

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