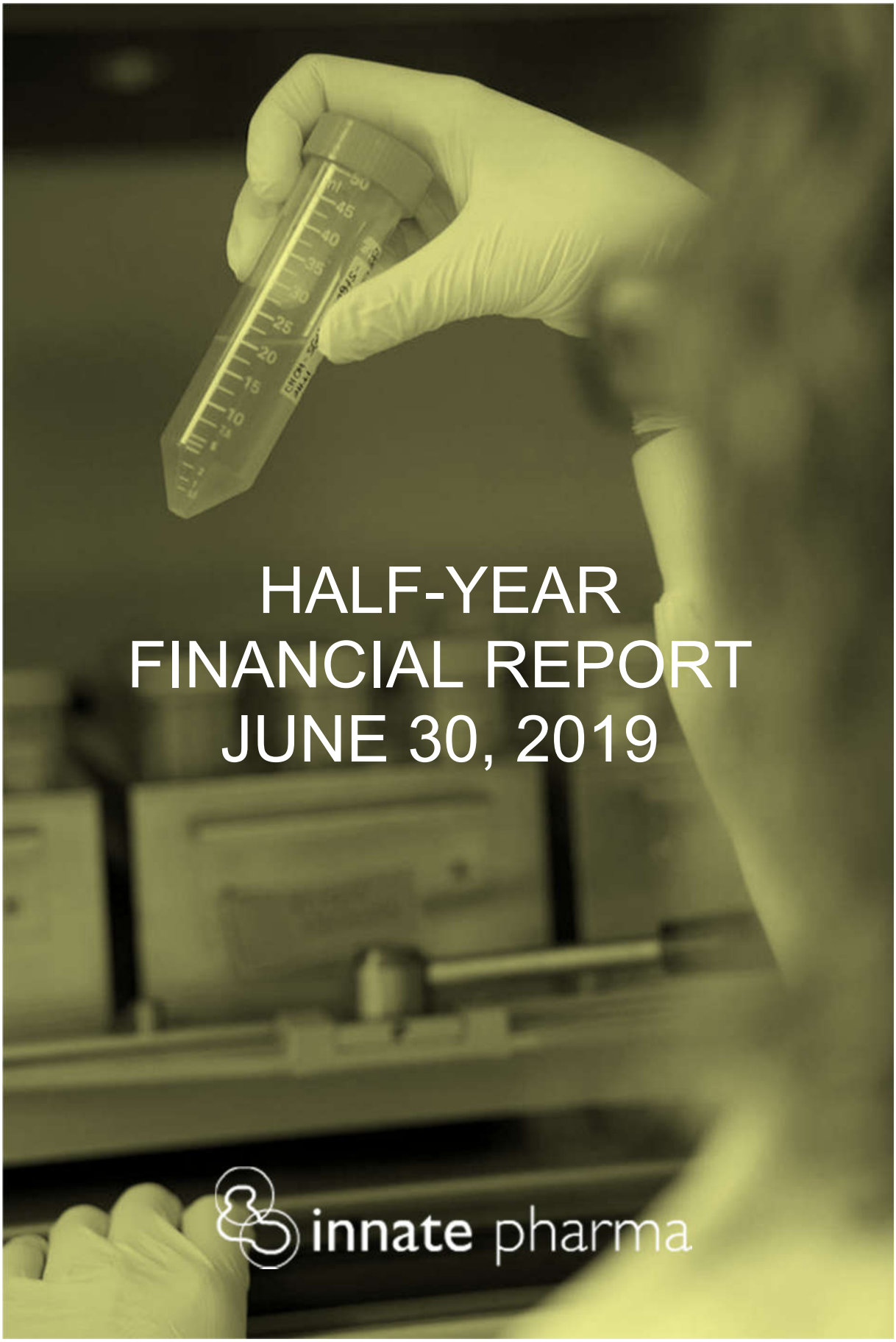

HALF-YEAR FINANCIAL REPORT JUNE 30, 2019

innate pharma

HALF-YEAR FINANCIAL REPORT
JUNE 30, 2019

INNATE PHARMA S.A.
French *société anonyme* governed by an Executive Board and a Supervisory Board
with a share capital of 3,207,498.80 euros composed of
64,135,464 ordinary shares, and 14,512 preferred shares with a nominal value of 0.05 euros each

Registered office: 117, Avenue de Luminy, F-13009 Marseille, France
Registered with the Company and Trade Register of Marseille under number 424 365 336

The following interim condensed consolidated financial statements have been approved by the Executive Board of the Company on September 12, 2019, 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 12, 2019.

SUMMARY

INNATE PHARMA AT A GLANCE

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

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

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

Innate Pharma is based in Marseille, France and listed on Euronext in Paris, and had 206 employees as of June 30, 2019.

Learn more about InnatePharma at www.innate-pharma.com.

HALF-YEAR MANAGEMENT REVIEW

The key elements of Innate Pharma's financial results for the first half of 2019 are as follows:

- Cash, cash equivalents and financial assets (current and non-current) amounting to €200.3m (million euros) as of June 30, 2019 (€202.7m as of December 31, 2018). At the same date, the financial liabilities amounted to €5.0m, including €3.2m of non-current liabilities (€4.5m as of December 31, 2018, including €3.2m of non-current liabilities).
- Revenue and other income amounting to €59.2m (€23.0m for the first half of 2018 restated). This amount mainly results from collaboration and licensing revenue (€51.6m) and from research tax credit (€7.6m). Revenue from collaboration and licensing agreements mainly result from the agreements with AstraZeneca/Medimmune.
- Operating expenses amounting to €45.9m (€37.9m for the first half of 2018 restated), of which 80% are related to research and development. Research and development expenses amount to €36.6m compared to €32.3m for the first half of 2018 restated and increase by €4.3m mainly as a result of a rise in depreciation and amortization by €4.2m following to additional intangible assets.
- A net income for the first half of 2019 amounting to €13.2m compared to net loss of €15.1m for the first half of 2018 restated.

Restatement Note

The Company identified errors impacting its interim condensed consolidated statements of financial position as of June 30, 2018 and its interim condensed consolidated statements of income (loss) for the six-months ended June 30, 2018. The correction of the errors did not result in a change to net cash for the period. They related from errors in the first application of IFRS 15 as of January 1, 2018, which have been identified and corrected by the Company in the course of the fourth quarter of 2018. The Company has issued a press release to inform the market of this correction on November 15, 2018.

The impact of this correction is presented in Note 2.5 of the interim condensed consolidated financial statements as of and for the six months ended June 30, 2019.

Note on change of accounting standards during the period

Application of the following new and amended standards is mandatory for the first time for the financial period beginning on January 1, 2019 and, as such, they have been adopted by the Company:

- IFRS 16 "Leases", which supersedes IAS 17 and the corresponding interpretations (IFRIC 4, SIC 15 and SIC 27).
- Amendments to IAS 19 "Employee benefits – Plan Amendment, Curtailment or Settlement", mandatory for annual periods beginning on or after January 1, 2019.
- Amendments to IAS 28 regarding "Long-term interests in associates and Joint-Ventures".
- Amendments to IFRS 9 "Financial instruments – Prepayment features with negative compensation".
- IFRIC 23 "Uncertainty over income tax treatments".
- Annual improvements of the cycle 2015-2017 (amendments to IAS 12, IAS 23, IFRS 3 and IFRS 11).

A. Revenue and other income

Revenue and other income resulted from collaboration and licensing agreements and government financing for research expenditure. Revenue and other income increased by €36.2 million, or 157.2%, to €59.2 million for the six months ended June 30, 2019, as compared to revenue and other income of €23.0 million for the six months ended June 30, 2018.

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

Revenue from collaboration and licensing agreements

Revenue from collaboration and licensing agreements increased by €35.4 million, or 218.3%, to €51.6 million for the six months ended June 30, 2019, as compared to revenues from collaboration and licensing agreements of €16.2 million for the six months ended June 30, 2018. These revenues were derived principally under our agreements with AstraZeneca and are set forth in the table below:

in thousands of euro	June 30, 2019	June 30, 2018 restated
Proceeds from collaboration and licensing agreements	46,770	16,055
of which monalizumab agreement	*24,293*	*16,055*
of which IPH5201 agreement	*22,478*	–
Invoicing of R&D costs (IPH5201 and IPH5401 agreements)	4,418	154
Exchange gains on collaboration agreement	400	–
Revenue from collaboration and licensing agreements	**51,588**	**16,209**

Proceeds related to monalizumab:

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

Proceeds related to IPH5201:

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

Invoicing of research and development costs:

Revenue from invoicing of research and development costs for the six months ended June 30, 2019 was

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

Government financing for research expenditures

Government financing for research expenditures increased by €0.8 million, or 11.5%, to €7.6 million for the six months ended June 30, 2019 as compared to €6.8 million the six months ended June 30, 2018 (. This change is primarily a result of an increase in the research tax credit of €1.3 million, which is mainly due to a rise in amortization of the monalizumab intangible asset following the additional consideration due to Novo Nordisk A/S in 2018 and the amortization of IPH5201 intangible asset from October 2018.

The table below details government funding for research expenditures for the six months ended June 30, 2019 and 2018.

in thousands of euro	June 30, 2019	June 30, 2018
Research tax credits	7,494	6,212
Grants	73	575
Government financing for research expenditures	**7,567**	**6,787**

The research tax credit is calculated as 30% of the amount of research and development expenses, net of grants received, eligible for the research tax credit for the six months ended June 30, 2019 and 2018.

B. Operating expenses

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

in thousands of euro	June 30, 2019	June 30, 2018 restated
Research and development	(36,584)	(32,322)
General and administrative	(9 295)	(5576)
Total operating expenses	**(45,879)**	**(37,898)**

Research and development expenses

Our research and development expenses in the periods presented primarily relate to activities for our monalizumab, IPH4102 and IPH5401 programs. Our research and development expenses are broken down as set forth in the table below:

in thousands of euro	June 30, 2019	June 30, 2018 restated
Monalizumab	(2,192)	(5,507)
IPH4102	(2,918)	(6,669)
IPH5401	(2,805)	(4,498)
Other clinical and preclinical programs	(4,835)	(2,511)
Lumoxiti	(6,456)	–
Discovery projects and other	(1,939)	(2,059)
Total direct research and development expenses	**(21,145)**	**(21,244)**
Personnel expenses (including share-based payments)	(7,808)	(6,891)
Depreciation and amortization	(6,348)	(2,190)
Other expenses	(1,283)	(1,997)
Personnel and other expenses	**(15,439)**	**(11,078)**
Total research and development expenses	**(36,584)**	**(32,322)**

Research and development increased by €4.3 million, or 13.2%, to €36.6 million for the six months ended June 30, 2019, as compared to research and development of €32.3 million for the six months ended June 30, 2018.

Research and development expenses represented a total of 79.7% and 85.3% of the total operating expenses for the six months ended June 30, 2019 and 2018, respectively. As of June 30, 2019, we had 157 employees in research and development functions, compared to 150 employees as of June 30, 2018.

The increase is mainly explained by (i) expenses of €6.5 million in relation to the generation of additional data on Lumoxiti for regulatory purposes, including for the regulatory filing in Europe, (ii) increase of €2.3 million in relation to development work on other preclinical programs, (iii) increase in depreciation and amortization of €4.2 million mainly related to the additional consideration due to Novo Nordisk A/S for monalizumab and the amortization of IPH5201 and Lumoxiti intangible assets from October 2018, (iv) increase in wages and salaries (€0.5 million due to increase in headcount and pay-rise) and share-based compensation (€0.4 million), partially compensated by (v) decreases of €3.8 million, €3.3 million and €1.7 million in expenses related to IPH4102, monalizumab and IPH5401 programs respectively, due to certain clinical trials coming to an end in a context of transition towards next steps.

General and administrative expenses:

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

The table below presents our general and administrative expenses by nature for the six months ended June 30, 2019 and 2018:

in thousands of euro	June 30, 2019	June 30, 2018
Personnel expenses (including shared-based payments)	(4,111)	(3,049)
Non scientific advisory and consulting	(2,332)	(1,082)
Other expenses[1]	(2,852)	(1,445)
Total general and administrative expenses	**(9,295)**	**(5,576)**

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

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

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

Net income (loss) from distribution agreements

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

Financial income (loss), net

We recognized a net financial income of €3.8 million in the six months ended June 30,2019 as compared to a net financial loss of €0.6 million in the six months ended June 30, 2018. The table below presents the components of our net financial income (loss) for the six months ended June 30, 2019 and 2018:

in thousands of euro	June 30, 2019	June 30, 2018 restated
Interest on financial assets	893	720
Change in valuation allowance on financial instruments	2,309	161
Foreign exchange gains	2,511	3,116
Other financial income	5	201
Financial income	**5,717**	**4,198**
Foreign exchange losses	(1,888)	(2,920)
Unrealized losses on financial assets	–	(1,498)
Interest on financial liabilities	(45)	(55)
Other financial expenses	–	(275)
Financial expenses	**(1,933)**	**(4,748)**
Net financial income (loss)	**3,784**	**(550)**

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

C. Balance sheet items

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

Since its incorporation in 1999, the Company has been primarily financed by revenue from its collaboration, licensing agreements (€415.9m in total), and by issuing new shares (€240.4m in total excluding share-based payments). The Company has also received an aggregate of €80.6m in research tax credit (of which €13.5m collected in July 2019) and fundings received from BPI France (ex-Oseo) in repayable advances not bearing interest and PTZI loan. As of June 30, 2019, the outstanding amount of repayable advances and PTZI loan amounts to €0.7m, of which €0.4m classified as current financial liabilities and €0.3m as non-current financial liabilities.

The Company also has bank borrowing of €1.3m as of June 30, 2019 and €2.6m of lease liabilities.

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

- Deferred revenue of €103.6m (including €61.4m booked as 'Deferred revenue – non-current portion') and collaboration liabilities amounting to €27.8m (including €5.9m booked as 'Collaboration liability- non-current') relating to the remainder of the initial payment from AstraZeneca not yet recognized as revenue or not yet refunded;
- Receivables from the French government amounting to €21.0m in relation to the research tax credit for 2018 and the six-month period ended June 30, 2019;
- Intangible assets for a net book value of €87.9m, mainly corresponding to the rights and licenses relating to the acquisition of the monalizumab, IPH5201, IPH5401, and Lumoxiti;
- Shareholders' equity of €181.3m including the net income for the period (€13.2m).

D. Cash-flow items

As of June 30, 2019, cash and cash equivalents amounted to €149.4m, a decrease of €2.9m compared to December 31, 2018.

The following table sets forth cash flow data for the six months ended June 30, 2019 and 2018:

in thousands of euro	June 30, 2019 (1)	June 30, 2018 restated
Cash flows from / (used in) operating activities	59,623	(33,927)
Cash flows from / (used in) investing activities	(61,798)	14,764
Cash flows from / (used in) financing activities	(760)	(685)
Effect of the exchange rate changes	(3)	(17)
Net increase / (decrease) in cash and cash equivalents	**(2,938)**	**(19,865)**

(1) The interim condensed consolidated statement of cash flows for the six months ended June 30, 2019 reflect the impacts of the adoption of IFRS 16 standard that became applicable on January 1, 2019, which are not material. The

comparative condensed consolidated statement of cash flows for the six months ended June 30, 2018 has not been restated. See note 2.4 to our interim condensed consolidated financial statements appearing elsewhere in this prospectus for more details on transition measures.

Cash flows from / (used in) operating activities:

Our net cash flow from operations increased by €93.6 million to a net cash generation of €59.6 million for the six months ended June 30, 2019 as compared net cash flows used in operations of €33.9 million for the six months ended June 30, 2018. This improvement is mainly explained by payments of €87.7 million and €21.1 million received in January 2019 from AstraZeneca in relation to monalizumab and IPH5201 agreements, respectively.

Cash flows from / (used in) investing activities:

Our net cash flow used in investing activities for the six months ended June 30, 2019 were €61.8 million and are mainly driven by the acquisition of intangible assets for €64.1 million. This amounts mainly consisted of (i) the payment of Lumoxiti rights to AstraZeneca ($50.0 million or €43.8 million), (ii) additional consideration payed to Novo Nordisk A/S for monalizumab rights ($15.0 million or €13.1 million) and (iii) the payment made to Orega Biotech for IPH5201 (anti-CD39) rights (€7.0 million).

Our net cash flows generated from investing activities for the six months ended June 30, 2018 were €14.8 million and mainly consisted of (i) disposal of net non-current financial assets for €14.9 million, (ii) interest received on financial assets for €0.9 million, less (iii) acquisitions of intangible assets for €0.3 million and (iv) acquisitions of property and equipment for €0.7 million.

Cash flows from / (used in) financing activities:

Our net cash flows used in financing activities for the six months ended June 30, 2019, increased by €0.1 million to €0.8 million as compared to net cash flows used in financing activities of €0.7 million for the six months ended June 30, 2018.

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E. Key events since January 1, 2019

In January 2019 and February 2019, the Company paid $50.0 million (€43.8 million) to AstraZeneca in relation to the Lumoxiti agreement and $15.0 million (€13.1 million) to Novo Nordisk A/S in relation to the acquisition of monalizumab rights, respectively. Both amounts had been recorded as trade payables – payables related to capital expenditures as of December 31, 2018.

In January 2019, the Company received $100.0 million (€87.7 million) from AstraZeneca in relation to the monalizumab agreement and $24.0 million (€21.1 million) from AstraZeneca in relation to the IPH5201 agreement. Both payments had been recorded as trade receivables as of December 31, 2018.

- On June 3, 2019, the Company signed an agreement with Orega Biotech amending the license agreement signed on January 4, 2016. Pursuant to this amendment, the Company was required to pay Orega Biotech €7.0 million as consideration following the collaboration and option agreement signed on October 22, 2018 with AstraZeneca regarding IPH5201. The payment has been made in June 2019 and accounted for as an increase of the Company's intangible asset related to IPH5201. The amendment also includes potential additional payments in the aggregate of €51.5m by the Company to Orega Biotech in connection with the completion of milestones, as well mid-single digit to low-teen percentage payments, depending on determinations relating to Orega Biotech's intellectual property rights for certain patents, on sublicensing revenues the Company receives pursuant to its agreement with AstraZeneca relating to IPH5201.
- On July 31, 2019, the Company notified to AstraZeneca its decision to co-fund a future monalizumab Phase III clinical development program.
- On August 30, 2019, the Company withdrew the remaining portion of the €15.2 million loan granted in July 2017 by Société Générale, for an

amount of €13.9 million. The loan amounted to €1.3 million as of June 30, 2019. The repayment schedule has started on August 30, 2019.

F. Nota

The interim condensed consolidated financial statements for the six-month period ended June 30, 2019 were established in accordance with IAS 34 standard adopted by European Union and have been subject to a limited review by our Statutory Auditors and were approved by the Executive Board of the Company on September 12, 2019. They were reviewed by the Supervisory Board of the Company on September 12, 2019. They will not be submitted for approval to the general meeting of shareholders.

G. Main risks and uncertainties for the remaining six months of the fiscal year

Risk factors identified by the Company are presented in paragraph 1.9 of the registration document ("Document de Référence") submitted to the French stock-market regulator, the "Autorité des Marchés Financiers", on April 30, 2019 (AMF number D.19-0444). The main risks and uncertainties the Company may face in the six remaining months of the year are the same as the ones presented in the registration document available on the internet website of the Company. Not only may these risks and uncertainties occur during the six months remaining in the financial year but also in the years to come.

H. Related party transactions

Transactions with related parties during the periods under review are disclosed in Note 19 to the interim consolidated financial statements. No material transaction was concluded with a member of the executive committee or the Supervisory Board following the date of the 2018 registration document.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2019

A. Interim Condensed Consolidated Statements of Financial Position

	Note	June 30, 2019[1]	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents	4	149,376	152,314
Short-term investments	4	15,578	15,217
Trade receivables and others	5	51,724	152,112
Total current assets		**216,678**	**319,643**
Non-current assets			
Intangible assets	6	87,881	84,529
Property and equipment	7	11,398	10,216
Non-current financial assets	4	35,320	35,181
Other non-current assets		87	86
Deferred tax assets	17	1,191	1,561
Total non-current assets		**135,877**	**131,574**
Total assets		**352,555**	**451,216**
Liabilities			
Current liabilities			
Trade payables and others	8	28,183	91,655
Collaboration liabilities – current portion	13	21,888	20,987
Financial liabilities – current portion	9	1,722	1,347
Deferred revenue – current portion	13	42,267	82,096
Provisions – current portion	18	489	652
Total current liabilities		**94,549**	**196,737**
Non-current liabilities			
Collaboration liabilities – non-current portion	13	5,950	10,669
Financial liabilities – non-current portion	9	3,237	3,175
Defined benefit obligations	10	4,809	3,697
Deferred revenue – non-current portion	13	61,368	68,098
Provisions – non-current portion	18	182	38
Deferred tax liabilities	17	1,191	1,561
Total non-current liabilities		**76,739**	**87,238**
Shareholders' equity			
Share capital	11	3,203	3,197
Share premium	11	301,629	299,932
Retained earnings		(134,911)	(137,840)
Other reserves		(1,895)	(1,099)
Net income (loss)		13,240	3,049
Total shareholders' equity		**181,266**	**167,240**
Total liabilities and shareholders' equity		**352,555**	**451,216**

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

B. Interim Condensed Consolidated Statements of Income (Loss)

In thousands of euro	Note	June 30, 2019[1]	June 30, 2018 restated[2]
Revenue from collaboration and licensing agreements	13	51,588	16,209
Government financing for research expenditures	13	7,567	6,787
Revenue and other income		**59,155**	**22,996**
Research and development expenses	14	(36,584)	(32,322)
General and administrative expense	14	(9,295)	(5,576)
Operating expenses		**(45,879)**	**(37,898)**
Net income / (loss) from distribution agreements	15	(3,820)	-
Operating income (loss)		**9,456**	**(14,902)**
Financial income	16	5,717	4,198
Financial expenses	16	(1,933)	(4,748)
Net financial income (loss)		**3,784**	**(550)**
Net income (loss) before tax		**13,240**	**(15,452)**
Income tax expense	17	-	333
Net income (loss)		**13,240**	**(15,118)**
Net income (loss) per share			
Weighted average number of shares		63,987,582	57,600,100
(in € per share)			
- Basic income (loss) per share	20	0.21	(0.26)
- Diluted income (loss) per share	20	0.20	(0.26)

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

[2] The interim condensed consolidated statement of income (loss) for the six months ended June 30, 2018 include corrective information, see note 2.5 for more details.

C. Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

In thousands of euro	June 30, 2019 (1)	June 30, 2018 restated (2)
Net income (loss) for the period	**13,240**	**(15,118)**
Items which will not reclassified in the consolidated statement of income (loss)		
Actuarial gains and (losses) related to defined benefit obligations	(794)	(966)
Elements which will be reclassified in the consolidated statement of income (loss)		
Foreign currency translation gain (loss)	(3)	(17)
Other comprehensive income (loss)	**(797)**	**(983)**
Total comprehensive income (loss)	**12,443**	**(16,101)**

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

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

D. Interim Condensed Consolidated Statements of Cash Flows

In thousands of euro	Note	June 30, 2019[1]	June 30, 2018 restated[2]
Net income (loss)		**13,240**	**(15,118)**
Depreciation and amortization, net	6, 7	6,826	2,439
Employee benefits costs	10	318	225
Provisions for charges		(70)	(823)
Share-based compensation expense	14	1,975	1,065
Change in valuation allowance on financial assets	4	(2,308)	1,432
Gains (losses) on financial assets	4	(90)	(1,022)
Change in valuation allowance on financial instruments	4	(101)	(186)
Gains on assets and other financial assets		(1,069)	(906)
Interest paid		44	55
Other profit or loss items with no cash effect		(317)	181
Operating cash flow before change in working capital		**18,448**	**(12,658)**
Change in working capital		41,187	(21,269)
Net cash generated from / (used in) operating activities		**59,635**	**(33,927)**
Acquisition of intangible assets, net	5, 6 & 8	(64,130)	(343)
Acquisition of property and equipment, net	7,8	(738)	(709)
Disposal of property and equipment		-	10
Disposal of other assets		1	26
Disposal of non-current financial instruments	4	2000	14,874
Interest received on financial assets	16	1,069	906
Net cash generated from / (used in) investing activities		**(61,798)**	**14,764**
Proceeds from the exercise / subscription of equity instruments	11	1	-
	9	-	-
Repayment of borrowings	9	(729)	(630)
Net interest paid	9, 16	(44)	(55)
Net cash generated / (used in) financing activities		**(772)**	**(685)**
Effect of the exchange rate changes		(3)	(17)
Net increase / (decrease) in cash and cash equivalents		**(2,938)**	**(19,865)**
Cash and cash equivalents at the beginning of the year:	4	152,314	99,367
Cash and cash equivalents at the end of the six-month period	4	**149,376**	**79,502**

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

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

Change in working capital	Note	June 30, 2019	December 31, 2018	Variance
Trade receivables and others (excluding rebates related to capital expenditures)	5	40,828	139,012	98,184
Deferred revenue – current and non-current portion	13	(103,636)	(150,195)	(46,559)
Trade payables and others (excluding payables related to capital expenditures)	8	(28,042)	(34,662)	(6,620)
Collaboration liabilities – current and non-current portion	13	(27,838)	(31,656)	(3,818)
Change in working capital		**(118,688)**	**(77,501)**	**41,188**

Change in working capital	Note	June 30, 2018 restated	December 31, 2017	Variance	IFRS 15 restatements (1)	Variance excluding IFRS 15 restatement
Trade receivables and others (excluding rebates related to capital expenditures)	5	25,761	21,412	(4,349)	–	(4,349)
Deferred revenue – current and non-current portion	13	(65,853)	(134,914)	(69,061)	53,083	(15,978)
Trade payables and others (excluding payables related to capital expenditures)	8	(22,809)	(24,583)	(1,774)	5,156	3,382
Collaboration liabilities – current and non-current portion	13	(40,427)	–	40,427	(44,751)	(4,324)
Change in working capital		**(103,328)**	**(138,085)**	**(34,757)**	**13,488**	**(21,269)**

(1) The interim condensed consolidated statement of cash flows for the six months ended June 30, 2018 include the impacts of the first application of IFRS 9 and IFRS 15 standards that became applicable on January 1, 2018.

E. Interim Consolidated Statement of Changes in Shareholders' Equity

In thousands of euro, except share data	Ordinary Shares	Preferred Shares	Share capital	Share premium	Retained Earnings	Other reserves	Net income (loss)	Total attributable to equity holders of the Company
December 31, 2017	**57,600,100**	**6,931**	**2,880**	**234,874**	**(103,593)**	**180**	**(48,385)**	**85,956**
	–	–	–	–	–	–	–	–
Restatement related to the first application of IFRS 9	–	–	–	–	653	(653)	–	–
Restatement related to the first application of IFRS 15	–	–	–	–	13,488	–	–	13,488
January 1, 2018 after restatement	**57,600,100**	**6,931**	**2,880**	**234,874**	**(89,452)**	**(473)**	**(48,385)**	**99,444**
Net loss (2)	–	–	–	–	–	–	(15,118)	(15,119)
Actuarial losses on defined benefit obligations	–	–	–	–	–	(966)	–	(966)
Foreign currency translation loss	–	–	–	–	–	(17)	–	(17)
Total comprehensive loss	**–**	**–**	**–**	**–**	**–**	**(983)**	**(15,118)**	**(16,102)**
Allocation of prior period loss	–	–	–	–	(48,385)	–	48,385	–
Share-based payment	–	–	–	1,065	–	–	–	1,065
June 30,2018 restated (2)	**57,600,100**	**6,931**	**2,880**	**235,939**	**(137,837)**	**(1,456)**	**(15,118)**	**84,408**
December 31, 2018	**63,932,655**	**6,931**	**3,197**	**299,932**	**(137,840)**	**(1,099)**	**3,049**	**167,240**
Restatement related to the first application of IFRS 16	–	–	–	–	(121)	–	–	(121)
January 1, 2019 (after restatement) (1)	**63,932,655**	**6,931**	**3,197**	**299,932**	**(137,961)**	**(1,099)**	**3,049**	**167,118**
Net income	–	–	–	–	–	–	13,240	13,240
Actuarial gains on defined benefit obligations	–	–	–	–	–	(794)	–	(794)
Foreign currency translation loss	–	–	–	–	–	(3)	–	(3)
Total comprehensive income (loss) for the period	**–**	**–**	**–**	**–**	**–**	**(797)**	**13,240**	**12,443**
Allocation of prior period loss	–	–	–	–	3,049	–	(3,049)	–
Exercise and subscription of equity instruments	111,250	7,581	6	(5)	–	–	–	1
Potential capital increase costs	–	–	–	(274)	–	–	–	(274)
Shared-based payment	–	–	–	1,975	–	–	–	1,975
June 30,2019	**64,043,905**	**14,512**	**3,203**	**301,629**	**(134,911)**	**(1,895)**	**13,240**	**181,266**

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

(2) The interim condensed consolidated statement of changes in shareholders' equity ended June 30, 2018 includes corrective information, see note 2.5 for more details.

F. Interim Condensed Notes to the Consolidated Financial Statements

1. The Company and key events

1.1. The company

Innate Pharma S.A. (the "Company" and together with its subsidiary, referred to as the "Group") is a biotechnology company focused on discovering, developing and commercializing first-in-class therapeutic antibodies designed to harness the immune system for the treatment of oncology indications with significant unmet medical need.

The Company has an extensive experience in research and development in immuno-oncology, having been pioneers in the understanding of natural killer cell, or NK cell, biology, and later expanding its expertise in the tumor microenvironment, tumor antigens and antibody engineering fields. The Company has built, internally and through its business development strategy, a broad and diversified portfolio including an approved product, three clinical product candidates and a robust preclinical pipeline. The Company has entered into collaborations with leaders in the biopharmaceutical industry, such as AstraZeneca and Sanofi.

From its inception, the Company has incurred losses due to its research and development ("R&D") activity. The six months ended June 30, 2019 generated a €13,240 thousand net income. As of June 30, 2019, the shareholders' equity amounted to €181,266 thousand. Subject to potential new milestone payments related to its collaboration agreements, the Company anticipates incurring additional losses until such time, if ever, that it can generate significant revenue from its product candidates in development.

The Company's future operations are highly dependent on a combination of factors, including: (i) the success of its R&D; (ii) regulatory approval and market acceptance of the Company's future product candidates; (iii) the timely and successful completion of additional financing; and (iv) the development of competitive therapies by other biotechnology and pharmaceutical companies. As a result, the Company is and should continue, in the short to mid-term, to be financed through partnership agreements for the development and commercialization of its drug candidates and through the issuance of new equity instruments.

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

As of June 30, 2019, the Company had two wholly owned subsidiaries: Innate Pharma, Inc., incorporated under the laws of Delaware in 2009, and Innate Pharma France SAS, incorporated under the laws of France in 2018.

1.2. Key events for the six-month period ended June 30, 2019

- In January 2019 and February 2019, the Company has paid $50,000 thousand (€43,800 thousand) to AstraZeneca in relation to Lumoxiti agreement and $15,000 thousand (€13,100 thousand) to Novo Nordisk A/S in relation to monalizumab rights, respectively. Both amounts were recorded as trade payables - payables related to capital expenditures as of December 31, 2018.

- In January 2019, the Company has received $100,000 thousand (€87,700 thousand) from AstraZeneca in relation to monalizumab agreement and $24,000 thousand (€21,100 thousand) from AstraZeneca in relation to IPH5201 agreement. Both payments were recorded as trade receivables as of December 31, 2018.

- On June 3, 2019, the Company signed an agreement with Orega Biotech amending the license agreement signed on January 4, 2016. Pursuant to this agreement, the Company was required to pay Orega Biotech an amount of €7,000 thousand as consideration following the collaboration and option agreement signed on October 22, 2018 with AstraZeneca regarding IPH5201(anti-CD39). The payment was made in June 2019 and has been accounted for as an increase of the Company's intangible asset related to IPH5201. The agreement also includes potential additional payments in the

aggregate of €51,500 thousand by the Company to Orega Biotech in connection with the completion of development and regulatory milestones, as well mid-single digit to low-teen percentage payments, depending on determinations relating to Orega Biotech's intellectual property rights for certain patents, on sublicensing revenues the Company receives pursuant to its agreement with AstraZeneca relating to IPH5201.

2. Basis of presentation and statement of compliance

2.1. Basis of preparation

The interim condensed consolidated financial statements as of June 30, 2019 and for the six months ended June 30, 2019 and 2018 and the related notes (together, the "**interim condensed consolidated financial statements**") have been prepared under the responsibility of the management of the Company in accordance with the underlying assumptions of going concern as the Company's loss-making situation is explained by the innovative nature of the products developed, therefore involving a multi-year research and development phase.

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting' as issued by the International Accounting Standard Board ("IASB") and were approved and authorized for issuance by the Executive Board on September 12, 2019.

The general accounting conventions were applied in accordance with the underlying assumptions, namely (i) going concern, (ii) permanence of accounting methods from one year to the next and (iii) independence of financial years, and in conformity with the general rules for the preparation and presentation of consolidated financial statements in accordance with International Financial Reporting Standards ("**IFRS**"). The interim condensed consolidated financial statements do not include all disclosures required for annual financial statements and should therefore be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2018.

The results of the operations for the six months ended June 30, 2019 are not necessarily indicative of the results to be expected for the year ending December 31, 2019 or for any other interim period or for any year in the future.

Except for number of shares and per share amounts, all amounts are expressed in thousands of euros, unless stated otherwise. Some amounts may be rounded for the calculation of financial information contained in the interim condensed consolidated financial statements. Accordingly, the totals in some tables may not be the exact sum of the preceding figures.

2.2. Use of judgments and estimates

T

h preparation of financial statements in accordance with IFRS requires the Company to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

These estimates can be revised where the circumstances on which they are based change. The actual results may therefore differ from the estimates initially formulated. The use of estimates and judgments relate primarily to:

- accounting for collaboration and licensing agreements (note 6 and 13);
- measurement of the subcontracting costs relating to the clinical trial (note 14);
- estimation of shared development costs and transition costs under the 2015 AstraZeneca

monalizumab agreement and the AstraZeneca Lumoxiti in-licensing agreement (note 5 and 13);

- estimate of the recoverable amount of the acquired and under progress licenses (note 6);
- estimate of the useful life of the acquired licenses (note 6);

2.3. Recently issued accounting standards and interpretations

Application of the following new and amended standards is mandatory for the first time for the financial period beginning on January 1, 2019 and, as such, they have been adopted by the Company:

- IFRS 16 "Leases", which supersedes IAS 17 and the corresponding interpretations (IFRIC 4, SIC 15 and SIC 27).
- Amendments to IAS 19 "Employee benefits – Plan Amendment, Curtailment or Settlement", mandatory for annual periods beginning on or after January 1, 2019.
- Amendments to IAS 28 regarding "Long-term interests in associates and Joint-Ventures".
- Amendments to IFRS 9 "Financial instruments – Prepayment features with negative compensation".
- IFRIC 23 "Uncertainty over income tax treatments".
- Annual improvements of the cycle 2015-2017 (amendments to IAS 12, IAS 23, IFRS 3 and IFRS 11).

Those standards and interpretations have no impact on the interim condensed consolidated financial statements, except as noted below following IFRS 16 application.

2.4. Impact of IFRS 16 application on June 30, 2019 financial statements

IFRS 16 was issued in January 2016 and it replaces IAS 17- *Leases*, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee recognizes a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The change in presentation of operating lease expenses results in a corresponding increase in cash flows from operating activities and a decrease in cash flows from financing activities.

According to the new standard, the Company determined the lease term including any lessee's extension or termination option that is deemed reasonably certain. The assessment of such options was performed at the commencement of a lease and required judgment by the management. Measuring the lease liability at the present value of the remaining lease payments required using an appropriate discount rate in accordance with IFRS 16. The discount rate is the interest rate implicit in the lease or if that cannot be determined, the incremental borrowing rate at the date of the lease commencement. The incremental borrowing rate can have a significant impact on the net present value of the right-of use asset and lease liability recognized and requires judgement.

Lessees remeasures the lease liability upon the occurrence of certain events (e.g., a change in the

lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee generally recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Following analysis carried out by the Company, the contracts impacted by this new standard mainly relate to the rental of premises.

With respect to the transition method, the Company has opted for the modified retrospective approach to contracts previously reported as leases under IAS 17 or IFRIC 4, and, therefore, will only recognize leases on its balance sheet as of January 1, 2019. Accordingly, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is presented as an adjustment to retained earnings. As of January 1, 2019, the right of use (ROU) is recognized as assets for their net value (as if IFRS 16 had always been applied) and the present value of the remaining payments is recognized as a liability.

The Company applies the following practical expedients as allowed by IFRS 16:

- Apply a single discount rate to the assets with similar characteristics;
- Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- Exclude lease contracts for which the lease term ends within 12 months as of the date of initial application, thus considering them short-term lease contracts; and
- Exclude leases of assets with a replacement value of less than approximately €5 thousands.

The impact of the first adoption of IFRS 16 on the statement of financial position as of January 1, 2019 is presented below:

In thousands of euro	Note	December 31, 2018 as published	IFRS 16 restatement	January 1, 2019 restated
Assets				
Total current assets		**319,643**	**-**	**319,643**
Property and equipment	7	10,216	1,097	11,313
Total non-current assets		**131,574**	**1,097**	**132,671**
Total assets		**451,216**	**1,097**	**452,313**
Liabilities				
Financial liabilities - current portion	9	1,347	320	1,667
Total current liabilities		**196,737**	**320**	**197,057**
Financial liabilities - non-current portion	9	3,175	848	4,023
Provisions - non-current portion	18	38	50	88
Total non-current liabilities		**87,238**	**898**	**88,136**
Retained earnings		(137,840)	(121)	(137,961)
Total shareholders' equity		**167,240**	**(121)**	**167,119**
Total liabilities and shareholders' equity		**451,216**	**1,097**	**452,313**

The weighted average incremental borrowing rate applied by the Company to lease liabilities recognizes in the consolidated financial statements as of January 1, 2019 was 2.01%.

The reconciliation between the lease liabilities accounted for as January 1, 2019 and the non-cancellable lease commitments disclosed as of December 31, 2018 is as follow:

Commitments related to operating leases agreements as of December 31, 2018	**769**
Lease liabilities related to financial leases as of December 31, 2018	2,098
Lease extension (Building "Le Virage")	445
Discount effect	(46)
Exemption	-
Lease liabilities as of January 1, 2019	**3,266**

IFRS 16 application has no material impact on the interim consolidated statements of cash flows and the interim consolidated statements of income (loss) for the six months ended June 30, 2019.

2.5. June 30, 2018 includes corrective information

The Company identified errors impacting the Company's unaudited interim condensed consolidated statements of financial position as of June 30, 2018 and unaudited interim condensed consolidated statements of income (loss) for the six-months ended June 30, 2018. The correction of the errors did not result in a change to net cash for the period. They related from errors in the first application of IFRS 15 as of January 1, 2018 regarding the methodology of calculation of the revenue, which have been identified and corrected by the Company in the course of the fourth quarter of 2018. The Company has issued a press release to inform the market of this correction on November 15, 2018.

The Company assessed the after-tax impact of these errors, which would have: (i) decreased net loss by € 1,072 thousand for the six months ended June 30, 2018, (ii) increased retained earnings (losses) by €3,655 thousand as of June 30, 2018 (impact from the 1st of January 2018 correction), and (iii) increased change in working capital by €1,072 thousand for the six months ended June 30, 2018.

Accordingly, the Company restated the unaudited interim condensed consolidated financial statements for the six months ended June 30, 2018 as follows:

	Six months ended June 30,		
	2018 (published)	**Restatement**	**2018 (restated)**
Revenue from collaboration and licensing agreements	16,879	(670)	16,209
Government financing for research expenditures	6,787	-	6,787
Revenue and other income	**23,666**	**(670)**	**22,996**
Research and development expenses	(33,828)	1,506	(32,322)
General and administrative expense	(5,576)	-	(5,576)
Operating expenses	**(39,404)**	**1,506**	**(37,898)**
Net income / (loss) distribution agreements	-	-	-
Operating income (loss)	**(15,738)**	**836**	**(14,902)**
Financial income	3,961	237	4,198
Financial expenses	(4,748)	-	(4,748)
Net financial income (loss)	**(787)**	**237**	**(550)**
	-	-	-
Net income (loss) before tax	**(16,524)**	**1,072**	**(15,452)**
Income tax expense	333	-	333
Net income (loss)	**(16,191)**	**1,072**	**(15,118)**
Net income (loss) per share :			
Weighted average number of shares :	**57 600 100**	**-**	**57 600 100**
(in € per share)			
- Basic income (loss) per share	(0,28)	0,02	(0,26)
- Diluted income (loss) per share	(0,28)	0,02	(0,26)

2.6. Translation of transactions denominated in foreign currency

Foreign currency transactions are translated into the presentation currency using the following exchange rates:

	June 30, 2018		December 31, 2018		June 30, 2019	
€1 equals to	Average rate	Closing rate	Average rate	Closing rate	Average rate	Closing rate
USD	1.1203	1.1658	1.1810	1.1450	1.1299	1.1380

2.7. Segmentation

For internal reporting purposes, and in order to comply with IFRS 8 *Operating segments*, the Company performed an analysis of operating segments. Following this analysis, the Company considers that it operates within a single operating segment being the R&D of pharmaceutical products in order to market them in the future. All R&D activities of the Company are located in France. Key decision makers (the executive committee of the Company) monitor the Company's performance based on the cash consumption of its activities. For these reasons, the Management of the Group considers it not appropriate to set up separate business segments in its internal reporting. This appreciation could evolve when Lumoxiti sales increase after the transition period (see Note 15).

In the six months ended June 30, 2019 and 2018, revenue was entirely generated by one customer.

3. Management of financial risks

The Company did not identify other risks than the ones presented in the consolidated financial statements as of and for the year ended December 31, 2018.

4. Cash, cash equivalents, short-term investments and non-current financial assets

(in thousands of euro)	June 30, 2019	December 31, 2018
Cash and cash equivalents	149,376	152,314
Short-term investments	15,578	15,217
Cash, cash equivalents and short-term investments	*164,954*	*167,531*
Non-current financial assets	35,320	35,181
Cash, cash equivalents and financial assets	**200,274**	**202,712**

Changes in short-term investments and non-current financial assets for the six months ended June 30, 2018 and 2019 are the following:

(in thousands of euro)	December 31, 2018	Acquisitions	Disposals	Variance of fair value through the consolidated statement of income (loss)	Variance of accrued interests	Foreign currency effect	June 30,2019
Short-term investments	15,217	–	–	271		90	**15,578**
Non-current financial assets	35,181	–	(2,000)	2,037	101	–	**35,320**
Total	**50,398**	**–**	**(2,000)**	**2,308**	**101**	**90**	**50,898**

(in thousands of euro)	December 31, 2017	Acquisitions	Disposals	Variance of fair value through the consolidated statement of income (loss)	Variance of accrued interests	Foreign currency effect	June 30,2018
Short-term investments	16,743	–	–	163	–	472	**17,379**
Non-current financial assets	60,469	–	(14,874)	(1,595)	186	550	**44,734**
Total	**77,212**	**–**	**(14,874)**	**(1,432)**	**186**	**1,022**	**62,114**

In the six months ended June 30, 2019 and 2018, variance of fair value through the consolidated statement of income (loss) is made of €2,308 thousand (€163 thousand) of unrealized gains, less nil thousand (€1,595 thousand) of unrealized losses, respectively, which are recognized in net financial income (loss), respectively (see note 16).

4.1. Cash and cash equivalents

Cash and cash equivalents are mainly composed of current bank accounts, interest-bearing accounts and fixed-term accounts.

(in thousands of euro)	June 30, 2019	December 31, 2018
Cash at hand	81,229	111,726
Interest-bearing accounts	19,015	19,001
Fixed-term accounts	44,682	17,220
Shares in mutual funds	4,450	4,367
Cash and cash equivalents	**149,376**	**152,314**

4.2. Short-term investments

(in thousands of euro)	June 30, 2019	December 31, 2018
Shares in mutual funds	15,578	15,217
Short-term investments	**15,578**	**15,217**

4.3. Non-current financial assets

(in thousands of euro)	June 30, 2019	December 31, 2018
Mutual funds	22,031	21,644
Other non-current financial instruments	13,289	11,494
Other non-current financial assets	-	2,043
Non-current financial assets	**35,320**	**35,181**

The Company only invests into funds with a very low level of risk. As of June 30, 2019, the Company owns shares of five mutual funds. The risk profiles of these funds are rated 1 to 7 by the financial institution who manages and commercializes these funds (1 being the lowest risk profile). When the maturity of shares in mutual funds is longer than are not expected to be realized within one year, they are classified as non-current financial instruments.

Other non-current financial instruments and financial assets generally include a guarantee of capital at the maturity date (which is always longer than one year). These instruments are defined by the Company as financial assets at fair value through profit or loss and classified as non-current due to their maturity because they are not expected to be realized within one year.

4.4. Cash, cash equivalents and financial assets per currency

(in thousands of euro)	As of June 30, 2019			As of December 31, 2018		
	€	$	Total	€	$	Total
Cash and cash equivalents	86,829	62,547	**149,376**	93,089	59,225	**152,314**
Short-term investments and other non-current financial assets	35,320	15,578	**50,898**	35,181	15,217	**50,398**
Total	**122,149**	**78,125**	**200,274**	**128,270**	**74,442**	**202,712**

The portion of the financial assets held and denominated in U.S. dollars will be used by the Company to pay for services provided in the United States, which will be invoiced in U.S. dollars during the next years.

5. Trade receivables and others

(in thousands of euro)	June 30, 2019	December 31, 2018
Other receivables[1]	410	108,585
Accrued receivables excluding rebates related to capital expenditures	336	5,539
Research tax credit[2]	20,996	13,503
Other tax credits	514	538
Prepaid expenses	6,769	4,211
VAT refund	5,578	2,807
Trade account receivables	5,518	2,522
Prepayments made to suppliers	707	1,264
Refund to be received	-	43
Trade receivables and others excluding rebates related to capital expenditures	***40,828***	***139,012***
Rebate related to capital expenditures[3]	10,896	13,100
Receivables and others	**51,724**	**152,112**

[1] Other receivables as of December 31, 2018 mainly related to AstraZeneca as a result of the exercise of the monalizumab exclusive license option ($100,000 thousand or €87,655 thousand) and granted option on IPH5201 ($24,000 thousand or €20,961 thousand). These amounts were paid in the first quarter of 2019.

[2] The Research tax credit is recognized as other operating income in the year to which the eligible research expenditure relates. The Company obtained the repayment of the Research tax credit for the tax year 2017 in the amount of €11,022 thousand in 2018 and the repayment of the Research tax credit for the tax year 2018 in the amount of €13,503 thousand in July 2019. The Company recorded as of June 30, 2019 an additional Research tax credit for the six months ended June 30, 2019 of €7,494 thousand.

[3] Refer to an estimated rebate of $12,400 thousand ($15,000 thousand as of December 31, 2018) granted by AstraZeneca in connection with the acquisition of Lumoxiti rights and that will be paid in 2019. This decrease of $2,600 thousand (€2,260 thousand) is based on updated information received from AZ and the carrying amount of the intangible asset has been adjusted accordingly (see note 6).

The net book value of the receivables is considered to be a reasonable approximation of their estimated fair value. Trade receivables and others have payment terms of less than one year. No valuation allowance was recognized on trade receivables and others as the credit risk of each debtor was considered as not significant.

6. Intangible assets

(in thousands of euro)	Purchased licenses	Other intangible assets	In progress	Total
January 1, 2018	**6,013**	**179**	**40,000**	**46,192**
Acquisitions	–	300	94	394
Amortization	(1,593)(1)	(92)	–	(1,685)
June 30, 2018	**4,420**	**387**	**40,094**	**44,903**
January 1, 2019	**44,184**	**345**	**40,000**	**84,529**
Acquisitions	–	59	–	59
Additional considerations	9,260(2)	–	–	9,260
Disposals	–	–	–	–
Amortization	(5,769)(3)	(59)	–	(5,828)
Transfers	–	(139)	–	(139)
June 30, 2019	**47,675**	**206**	**40,000**	**87,881**

(1) This amount includes the amortization of monalizumab rights.

(2) This amount includes (i) an additional consideration of €7,000 thousand paid to Orega Biotech in June 2019 in relation to IPH5201 (see Note 1.b), and (ii) the decrease of the estimated rebate granted by AstraZeneca in connection with the acquisition of Lumoxiti rights for an amount of €2,260 thousand (see note 5).

(3) This amount includes the amortization of rights related to monalizumab (€2,341 thousand), IPH5201 (€2,191 thousands) and Lumoxiti (€1,237 thousand).

Monalizumab rights under the 2014 monalizumab (NKG2A) Novo Nordisk agreement

Since their acquisition, monalizumab rights are amortized on a straight-line basis over the anticipated residual duration of the Phase II trials. The Company has reassessed the anticipated residual duration of the Phase II trials as of June 30, 2019 and estimated that it would be fully amortized by the end of the first half of 2021, compared to end of 2019 as estimated as of December 31, 2018, as a result of the completion of some trials and initiation of new cohorts. The impact of this revision for the six-month period ending June 30, 2019 amounts to €2,332 thousand. The net book values of the monalizumab rights were €10,393 thousand and €12,733 thousand as of June 30, 2019 and December 31, 2018, respectively.

Lumoxiti rights acquired from AstraZeneca under the 2018 AstraZeneca multi-term agreement

The license is amortized on a straight-line basis until July 31, 2031, which corresponds to the expiration of the current composition of matter patent, not including any additional patent extensions or patents. The net book value of the Lumoxiti rights were €31,011 thousand and €29,987 thousand as of June 30, 2019 and December 31, 2018, respectively.

The Company applied IAS 36- Impairment of assets and assessed whether there was any indication that an asset may be impaired. The Company estimated the recoverable amount of Lumoxiti intangible assets using a discounting cash flow model which confirmed that these assets were not impaired. The main following assumptions were used to determine

the recoverable amount, based on the cash-flows determined from the commercialization plan and the budget approved by Management:

- A discount rate of 12%;
- Assumptions related to selling price increase and sales volume based on the potential market and comparable products;
- Decrease in sales volume applied to the forecasted revenue once the related rights fall off-patent;

Sensitivity testing regarding these actuarial assumptions and other assumptions such as: discount rate (+/- 3%), selling price (+/- 10%) and decrease in sales volume once the related rights fall off-patent (+/- 5%) were performed.

7. Property and equipment

(in thousands of euro)	Land and buildings	Laboratory equipment and other	In progress	Total	*Of which finance leases*
January 1, 2018	**4,093**	**6,602**	**34**	**10,729**	***5,478***
Acquisitions	–	504	207	711	–
Disposals	–	(10)	–	(10)	–
Depreciation	(149)	(607)	–	(756)	*(279)*
Transfers	–	29	(29)	–	–
June 30, 2018	**3,944**	**6,518**	**212**	**10,674**	***5,199***

(in thousands of euro)	Land and buildings	Laboratory equipment and other	In progress	Total	*Of which right of use assets*
December 31, 2018	**3,795**	**6,101**	**320**	**10,216**	***4,923***
Impact of 1st application of IFRS 16	1,028	69	–	1,097	*1,097*
January 1, 2019	**4,823**	**6,170**	**320**	**11,313**	***6,020***
Acquisitions	–	755	202	957	–
Disposals	–	(13)	–	(13)	–
Depreciation	(258)	(740)	–	(998)	*(408)*
Transfers	–	256	(117)	139	–
June 30, 2019	**4,565**	**6,428**	**405**	**11,398**	***5,612***

8. Trade payables and others

(in thousands of euro)	June 30, 2019	December 31, 2018
Suppliers (excluding payables related to capital expenditures)	23,134	28,576
Tax and employee-related payables	4,543	5,661
Other payables	365	425
Trade payables and others (excluding payables related to capital expenditures)	***28 042***	***34 662***
Payables related to capital expenditures	141	56,993
Payables and others	**28,183**	**91,655**

The book value of trade payables and others is considered to be a reasonable approximation of their fair value.

9. Financial liabilities

(in thousands of euro)	December 31, 2018	Impact of 1st application of IFRS16	January 1, 2019	Repayments of borrowings and leases liabilities	June 30, 2019
BPI France – BPI PTZI IPH41[(1)]	750	–	750	(75)	675
Lease liabilities – Real estate property	1,345	–	1,345	(459)	886
Property transaction (down-payment)	(234)	–	(234)	80	(154)
Lease liabilities – Building "Le Virage"	–	1,099	1,099	(142)	957
Lease liabilities – Laboratory equipment	987	–	987	(86)	901
Lease liabilities – Vehicles	–	69	69	(21)	48
Borrowing – Equipment	372	–	372	(26)	346
Borrowing – Building	1,300	–	1,300	–	1,300
Total	**4,522**	**1,168**	**5,690**	**(729)**	**4,959**

(1) Interest free loan

The table below shows the schedule for repayment of financial liabilities (principal and accrued interest) as of June 30, 2019.

(in thousands of euro)	Within 1 year	From 2nd to 5th year included	Over 5 years	Total
BPI France – BPI PTZI IPH41	375	300	–	675
Lease liabilities – Real estate property	886	–	–	886
Property transaction (down-payment)	(154)	–	–	(154)
Lease liabilities – Building "Le Virage"	288	669	–	957
Lease liabilities – Laboratory equipment	174	701	26	901
Lease liabilities – Vehicles	21	27	–	48
Borrowing – Equipment	53	219	74	346
Borrowing – Building	80	406	814	1,300
Total financial liabilities	**1,723**	**2,322**	**914**	**4,959**

The table below shows the schedule for the contractual flows (being principal and interest payments).

(in thousands of euro)	Within 1 year	From 2nd to 5th year included	Over 5 years	Total
BPI France – BPI PTZI IPH41	375	300	–	675
Lease liabilities – Real estate property	895	–	–	895
Property transaction (down-payment)	(154)	–	–	(154)
Lease liabilities – Building "Le Virage"	306	689	–	995
Lease liabilities – Laboratory equipment	179	698	26	903
Lease liabilities – Vehicles	22	28	–	50
Borrowing – Equipment	57	228	71	356
Borrowing – Building	102	488	874	1,464
Total financial liabilities	**1,782**	**2,431**	**971**	**5,184**

Reconciliation of liabilities arising from financing activities;

		Passing board					06/30/2019 detail	
			Cash-flows		Non-cash variations		Current	Non-current
	In thousands of euro	**01/01/2019**	**(+)**	**(-)**		**06/30/2019**		
Borrowing	BPI France – PTZI IPH41	750	–	(75)	–	675	*375*	*300*
Lease liabilities	Real estate property	1 345	–	(459)	–	886	*886*	–
Lease liabilities	Property transaction (down-payment)	(234)	80	–	–	(154)	*(154)*	–
Lease liabilities	Laboratory equipment	987	–	(86)	–	901	*174*	*727*
Borrowing	Equipment	372	–	(26)	–	346	*53*	*293*
Borrowing	Building	1300	–	0	–	1 300	*80*	*1 220*
Lease liabilities	Building "Le Virage" (1)	–	–	(142)	1099	957	*287*	*670*
Lease liabilities	Vehicles (1)	–	–	(21)	69	48	*21*	*27*
	Sub-total	***4 520***	***80***	***(809)***	***1 168***	***4 959***	***1 722***	***3 237***
Lease liabilities	Interests	N/A	–	(44)	–	N/A		
	Total	***N/A***	**80**	**(853)**	**1 168**	***N/A***		

		Passing board					06/30/2018 detail	
			Cash-flows		Non-cash variations		Current	Non-current
	In thousands of euro	**01/01/2018**	**(+)**	**(-)**		**06/30/2018**		
Borrowing	BPI France – PTZI IPH41	1 125	–	(150)	–	975	*375*	*600*
Lease liabilities	Real estate property	2 239	–	(444)	–	1 795	*910*	885
Lease liabilities	Property transaction (down-payment)	(386)	76	0	–	(310)	*(156)*	(154)
Lease liabilities	Laboratory equipment	1 160	–	(86)	–	1 074	173	*901*
Borrowing	Equipment	426	–	(27)	–	399	*53*	*346*
Borrowing	Building	1300	–	–	–	1 300	*0*	*1 300*
	Sub-total	***5 864***	***76***	***(707)***	**–**	***5 233***	***1 355***	***3 878***
Lease liabilities	Interests	N/A	–	(55)	–	N/A		
	Total	***N/A***	***76***	***(762)***	**–**	***N/A***		

(1) Non-cash variations in relation to lease liabilities included impact of first application of IFRS 16, see Note 2.d

10. Employee benefit

Defined benefit obligation

(in thousands of euro)	June 30, 2019	December 31, 2018
Allowance for retirement defined benefit	4,351	3,282
Allowance for seniority awards	458	415
Defined benefit obligations	**4,809**	**3,697**

Amounts recognized in the statement of financial position are determined as follows (in thousand euros):

As of January 1, 2018	**2,621**
Service cost	434
Interest costs	43
Actuarial (gain) / loss	599
As of December 31, 2018	**3,697**
Service cost	285
Interest costs	33
Actuarial (gain) / loss	794
As of June 30, 2019	**4,809**

Discount rates used by the Company to evaluate retirement benefits were based on iBox Corporate AA. They amounted to 1.05% and 1.80% as of June 30, 2019 and December 31, 2018, respectively.

11. Capital

11.1. Share capital

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

As of June 30, 2019, the Company's share capital amounted to €3,202,921 divided into (i) 64,043,905 ordinary shares, each with a nominal value of €0.05; (ii) 6,931 "2016" preferred shares, each with a nominal value of €0.05, and (iii) 7,581 "2017" preferred shares, each with a nominal value of €0.05, respectively, fully paid up.

Share capital does not include BSAs, BSAAR, AGAs and AGAPs that have been granted to certain investors or natural persons, both employees and non-employees of the Company, but not yet exercised.

The Group issued preferred shares ("2016 preferred shares" and "2017 preferred shares") which will become convertible into ordinary shares following a vesting period of one year and a retention period of two years if the performance and presence criteria are met at the end of the retention period. The number of ordinary shares to which the conversion of one preferred share will entitle will be determined according to the fulfilment of the performance criteria. During the retention period, holders of the

2016 preferred shares are not entitled to vote at the general shareholders' meetings, to dividends, to preferential subscription rights and to transfer their shares. On the contrary, during the retention period, holders of the 2017 preferred shares are entitled to vote the general shareholders' meetings, to dividends and to preferential subscription rights, as if they held the same number of ordinary shares as their number of vested AGAP. The 2016 and 2017 preferred shares are not transferrable during the retention period except under certain circumstances. After the end of the retention period, holders of all of preferred shares that have not yet converted them into our ordinary shares, are entitled to vote at our shareholders' meetings, to dividends and to preferential subscription rights, on the basis of the number of ordinary shares to which they are entitled if they convert their preferred shares..

In the six months ended June 30, 2019, the capital increase of €5,942 (including share premium) is the result of:

- the Executive Board decision on April 18, 2019, subsequent to the definitive acquisitions of (i) 110,500 free shares granted on April 3, 2018 under the "AGA Employees 2017" plan, (ii) 5,581 free preferred shares convertible into ordinary share granted on April 3, 2018 under the "AGAP Employees 2017" plan, (iii) 2,000 free preferred shares convertible into ordinary shares granted on April 3, 2018 under the "AGAP Management 2017" plan and (iv) the exercise of 750 "2012" BSAAR, to carry out a capital increase of €5,942 and a decrease in share premium of €4,412, broken down as follows: (i) a creation of 110,500 ordinary shares, with a nominal value of €0.05, for an issue price of €0.05 per share, (ii) a creation of 750 ordinary shares, with a nominal value of €0.05, for an issue price of €2.04 per share and (iii) a creation of 7,581 "2017" preferred shares, with a nominal value of €0.05, for an issue price of €0.05 per share.

11.2. Transaction costs

The Company incurred potential capital increase costs for the 6 months ended June 30, 2019 for a total amount of €274 thousands. This amount is unpaid as of June 30, 2019.

11.3. Treasury shares

The Company held 18,575 of its own shares as of June 30, 2019 and December 31, 2018, respectively.

11.4. Share based payments

Valuation methods of AGAs granted in the six months ended June 30, 2019.

The valuation methods used to estimate the fair value of the free shares granted in the six months ended June 30, 2019 and the main characteristics of each grants are presented below:

On January 14, 2019, the Executive Board granted 90,650 free shares to employees of the Company (AGA Employees 2018-1).

On April 29, 2019, the Executive Board granted 25,000 free shares to an employee of the Company's subsidiary (AGA New Members 2017-1).

	AGA Employees 2018-1	AGA New Members 2017-1
Date of grant (Board of Directors)	January 14, 2019	April 29, 2019
Vesting period (years)	1 year	3 years
Non transferability period	1 year	None
Number of free shares granted	90 650	25 000
Share entitlement per free share	1	1
Grant date share fair value	€ 7,31	€ 5,74
Expected dividends	None	None
Performance conditions	No	No
Expected turnover (yearly basis)	4,03%	10,00%
Volatility	N/A	N/A
Non transferability discount	-	-
Fair value per AGA	€ 7,31	€ 5,74

The Company has issued BSAs, BSAARs,AGAs and AGAPs as follows:

Date	Types	Number of warrants issued as of 06/30/2019	Number of warrants void as of 06/30/2019	Number of warrants exercised as of 06/30/2019	Number of warrants outstanding as of 06/30/2019	Maximum number of ordinary shares to be issued as of 06/30/2019	Exercise price per share (in €)
Sept. 9, 2011	BSAAR 2011	650 000	-	395 000	255 000	255 000	2.04
May 27, 2013	BSAAR 2012	146 050	-	84 450	61 600	61 600	2.04
July 1, 2015	BSAAR 2015	1 050 382	2 720	1 940	1 045 722	1 045 722	7.20
October 21, 2016	AGAP Management 2016-1	2 000	550	-	1 450	290 000	-
October 21, 2016	AGAP Employees 2016-1	2 486	196	-	2 290	458 000	-
October 21, 2016	AGA Management 2016-1	50 000	-	-	50 000	50 000	-
December 30, 2016	AGAP Management 2016-2	3 000	-	-	3 000	600 000	-
December 30, 2016	AGA Management 2016-2	250 000	-	-	250 000	250 000	-
April 3,2018	AGAP Employees 2017	5 725	144	-	5 581	558 100	-
April 3,2018	AGAP Management 2017	2 400	400	-	2 000	200 000	-
April 3,2018	AGA Employees 2017	114 500	4 000	110 500	-	-	-
July 3, 2018	AGA Bonus Management 2018	67 028	469	-	66 559	66 559	-
November 20, 2018	AGA Perf Employees 2018	327 500	-	-	327 500	327 500	-
November 20, 2018	AGA Perf Management 2018	260 000	30 000	-	230 000	230 000	-
January 14, 2019	AGA Employees 2018	90 650	2 650	-	88 000	88 000	-
April 29, 2019	AGA New Members 2017-1	25 000	-	-	25 000	25 000	-
July 29, 2011	BSA 2011-2	225 000	-	133 060	91 940	91 940	1.77
July 17, 2013	BSA 2013	237 500	-	191 140	46 360	46 360	2.36
July 16, 2014	BSA 2014	150 000	-	75 000	75 000	75 000	8.65
April 27, 2015	BSA 2015-1	70 000	-	-	70 000	70 000	9.59
July 1, 2015	BSA 2015-2	14 200	-	-	14 200	14 200	14.05
September 20, 2017	BSA 2017	37 000	-	-	37 000	37 000	11.00
	Total as of June 30, 2019	**3 780 421**	**41 129**	**991 090**	**2 748 202**	**4 839 981**	

12. Financial instruments recognized in the statement of financial position and related effect on the income statement

The following tables show the carrying amounts and fair values of financial assets and financial liabilities. The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

As of June 30, 2019 (in thousands of euro)	Book value on the statement of financial position	Fair value through profit and loss [1]	Receivables[2]	Fair value
Financial assets				
Non-current financial assets	35,320	35,320	-	35,320
Trade receivables and others	51,724	-	51,724	51,724
Short-term investments	15,578	15,578	-	15,578
Cash and cash equivalents	149,376	149,376	-	149,376
Total financial assets	**251,998**	**200,274**	**51,724**	**251,998**
Financial liabilities				
Financial liabilities—non-current portion	3,237	-	3,237	3,237
Financial liabilities—current portion	1,722	-	1,722	1,722
Trade payables and others	28,183	-	28,183	28,183
Total financial liabilities	**33,142**	**-**	**33,142**	**33,142**

As of December 31, 2018 (in thousands of euro)	Book value on the statement of financial position	Fair value through profit and loss [1]	Debt at amortized cost[2]	Fair value
Financial assets				
Non-current financial assets	35,181	33,138	2,043	35,181
Trade receivables and others	152,112	-	152,112	152,112
Short-term investments	15,217	15,217	-	15,217
Cash and cash equivalents	152,314	152,314	-	152,314
Total financial assets	**354,824**	**200,669**	**154,155**	**354,824**
Financial liabilities				
Financial liabilities—non-current portion	3,175	-	3,175	3,175
Financial liabilities—current portion	1,347	-	1,347	1,347
Trade payables and others	91,655	-	91,655	91,655
Total financial liabilities	**96,177**	**-**	**96,177**	**96,177**

[1] The fair value of financial assets classified as fair value through profit and loss corresponds to the market value of the assets, which are primarily determined using level 2 measurements.

[2] The book amount of financial assets and liabilities measured at amortized cost was deemed to be a reasonable estimation of fair value.

13. Revenue and government financing for research expenditures

13.1. Revenue from collaboration and licensing agreements

The Company's revenue from collaboration and licensing agreements amounts to €51,588 thousand and €16,209 thousand for the six-month periods ended June 30, 2019 and 2018 respectively.

(in thousands of euro)	June 30, 2019	June 30, 2018 restated
Proceeds from collaboration and licensing agreements	46,770	16,055
of which monalizumab agreement	*24,293*	*16,055*
of which IPH5201 agreement	*22,478*	-
Invoicing of R&D costs (IPH5201 and IPH5401 agreements)	4,418	154
Exchange gains on collaboration agreement	400	-
Revenue from collaboration and licensing agreements	**51,588**	**16,209**

a) Revenue recognition related to monalizumab AZ agreements and amendments

Change in monalizumab deferred revenue

(in thousands of euro)	Total
As of December 31, 2017	**134,914**
Restatement related to the first application of IFRS 15	(53,083)
As of January 1st, 2018	**81,831**
Revenue for the six months ended June 30, 2018	(16,055)
Transfer from collaboration liabilities	77
As of June 30, 2018	**65,853**

As of December 31, 2018	**104,927**
Revenue for the six months ended June 30, 2019	(24,293)
Transfer from / (to) collaboration liabilities	210
As of June 30, 2019(1)	**80,844**

Change in monalizumab collaboration liabilities

(in thousands of euro)	Total
As of December 31, 2017	**-**
Restatement related to the first application of IFRS 15	44,751
As of January 1st, 2018	**44,751**
Additions	-
Deductions	(4,324)
As of June 30, 2018	**40,427**

As of December 31, 2018	**31,656**
Additions	-
Deductions	(3,818)
As of June 30, 2019	**27,838**

b) Revenue recognition related to IPH5201 AstraZeneca collaboration and option agreement

Change in deferred revenue relating to this agreement

(in thousands of euro)	Total
As of June 30, 2018	**-**
Upfront payment	43,501
Revenue for the 2018 financial year	(15,632)
As of December 31, 2018	**27,869**
Revenue for the six months ended June 30, 2019	(22,478)
As of June 30, 2019	**5,391**

c) Schedule of variance of deferred revenue

(in thousands of euro)	As of December 31, 2018	Recognition in P&L	Transfer from / (to) collaboration liabilities	As of June 30, 2019
Monalizumab	104,925	(24,293)	210	80,842
IPH5201	27,869	(22,478)	-	5,392
Preclinical molecules	17,400	-	-	17,400
Total	**150,195**	**(46,770)**	**210**	**103,636**

(in thousands of euro)	As of December 31, 2017	Impact IFRS 15	December 31, 2017 as restated	Recognition in P&L	Transfer from / (to) collaboration liabilities	As of June 30, 2018
Monalizumab	134,914	(53,083)	81,831	(16,055)	77	65,853
Total	**134,914**	**(53,083)**	**81,831**	**(16,055)**	**77**	**65,853**

13.2. Government financing for research expenditures

The Company receives grants from the European Commission, French government and state organizations in several different forms:

- Investment and operating grants; and
- Research Tax Credits.

As of June 30, 2019, estimate of the amount of research tax credit for the first half period is calculated on the basis of eligible expenses in the period. However, since the fiscal year 2015, the Company reached the limitation relating to the eligible subcontracting costs.

As of June 30,2019 and 2018, a limitation representing 50% of the annual limitation was applied.

The total amount for government financing for research expenditures recorded as other income in the income statement can be analyzed as follows:

(in thousands of euro)	June 30, 2019	June 30, 2018
Research tax credit	7,494	6,212
Grant	73	575
Government financing for research expenditures	**7,567**	**6,787**

14. Operating expenses

(in thousands of euro)	June 30, 2019			June 30, 2018 restated		
	R&D	G&A	Total	R&D	G&A	Total
Subcontracting costs[1]	(19,471)	–	**(19,471)**	(19,397)	–	**(19,397)**
Cost of supplies and consumable materials	(1,673)	–	**(1,673)**	(1,847)	–	**(1,847)**
Personnel expenses other than share-based compensation	(7,165)	(2,778)	**(9,943)**	(6,637)	(2,238)	**(8,875)**
Share-based compensation	(643)	(1,332)	**(1,975)**	(254)	(811)	**(1,065)**
Personnel expenses	*(7,808)*	*(4,111)*	***(11,918)***	*(6,891)*	*(3,049)*	***(9,940)***
Non-scientific advisory and consulting[2]	(54)	(2,332)	**(2,386)**	(89)	(1,082)	**(1,171)**
Leasing and maintenance	(447)	(473)	**(920)**	(522)	(556)	**(1,078)**
Travel expenses and meeting attendance	(367)	(316)	**(682)**	(315)	(210)	**(525)**
Marketing, communication and public relations	(47)	(259)	**(307)**	(52)	(213)	**(265)**
Scientific advisory and consulting[3]	(256)	–	**(256)**	(220)	–	**(220)**
Other purchases and external expenses	96	(694)	**(597)**	(175)	(73)	**(248)**
Depreciation and amortization	(6,348)	(478)	**(6,826)**	(2,190)	(249)	**(2,439)**
Intellectual property expenses	(180)	(468)	**(648)**	(607)	–	**(607)**
Other income and (expenses), net	(30)	(164)	**(193)**	(17)	(144)	**(161)**
Total operating expenses	**(36,584)**	**(9,295)**	**(45,879)**	**(32,322)**	**(5,576)**	**(37,898)**

(1) The Company subcontracts a significant part of its pre-clinical (pharmaceutical development, tolerance studies and other model experiments, etc.) and clinical operations (coordination of trials, hospital costs, etc.) to third parties. Associated costs are recorded in subcontracting on the basis of the level of completion of the clinical trials.

(2) Non-scientific advisory and consulting are services performed to support the selling, general and administration activities of the Company, such as legal, accounting and audit fees as well as business development support.

(3) Scientific advisory and consulting expenses relate to consulting services performed by third parties to support the research and development activities of the Company.

14.1. Personnel expenses other than share-based compensation

The line item amounted to €9,943 thousand and €8,875 thousand for the six months ended June 30, 2019 and 2018 respectively. The Company had 206 employees at June 30, 2019, compared to 194 at June 30, 2018.

14.2. Depreciation and amortization

The line item is mainly composed of the amortization of the monalizumab, IPH5201 and Lumoxiti intangible assets (see Note 6).

14.3. Cost of suppliers and consumable materials

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

15. Net income / (loss) from distribution agreements

During the transition period (which is scheduled to end mid-2020), Lumoxiti products are commercialized in the US by AstraZeneca who is the owner of the regulatory approval. The Company concluded that it did not meet the criteria for being principal under IFRS 15. Consequently, the net loss resulting from all Lumoxiti marketing's operations are disclosed in the item line "Net income / (loss) from distribution agreements."

The Company recognized a €3,821 thousand net loss for the six months ended June 30, 2019, corresponding to production and marketing costs, net of sales proceeds, as invoiced by AstraZeneca in relation to Lumoxiti distribution agreement for the period. Sales of Lumoxiti products for the six months ended June 30, 2019 were modest. The first commercialization in the United States happened in the last quarter 2018.

16. Net financial loss

Net financial loss can be analyzed as follows :

(in thousands of euro)	June 30, 2019	June 30, 2018 restated
Interests on financial assets	893	720
Change in valuation allowance on financial instruments	2,309	161
Foreign exchange gains	2,511	3,116
Other financial income	5	201
Financial income	**5,717**	**4,198**
Foreign exchange losses	(1,888)	(2,920)
Unrealized losses on financial assets	–	(1,498)
Interest on financial liabilities	(45)	(55)
Other financial expenses	–	(275)
Financial expenses	**(1,933)**	**(4,748)**
Net financial income (loss)	**3,784**	**(550)**

For the six months ended June 30, 2019 and 2018, the foreign exchange gains and losses mainly result from the variance of the exchange rate between the Euro and the US dollar on US dollars denominated cash and cash equivalent and financial assets accounts.

17. Income tax / (expense)

The Company did not recognize a current tax expense as at June 30, 2019 regarding a projected tax rate of nil as of December 31, 2019.

As of June 30, 2019, the accumulated tax losses carryforwards of Innate Pharma SA were €219,563 thousand with no expiration date (same amount as of December 31, 2018). As of June 30, 2019, the accumulated tax losses carryforwards of Innate Pharma Inc. was €496 thousand, or $564 thousand, (same amounts as of December 31, 2018), with a 20-year period expiration.

For the six months ended June 30, 2018, the Company opted for the carry back mechanism which gave rise to a €333 thousand tax credit tax

18. Commitments, contingencies and litigation

18.1. Commitments

Except the recognition of operating lease agreements existing as of December 31, 2018 as lease liabilities as of January 1, 2019 following the application of IFRS 16, the Company has identified the following changes in off-balance sheet commitments since December 31, 2018:

- non-cancellable purchase commitments as of June 30, 2019 for a total of €3,297 thousand with various CMOs.
- *Consumable purchases*: as part of a supply of scientific equipment, the company was committed towards a supplier to minimum annual purchases of consumables. As of June 30, 2019, the overall commitment was amounting to €188 thousand for the period from July 2019 to June 2020.

18.2. Contingencies and litigations

The Company is exposed to contingent liabilities relating to legal actions before the labor court or intellectual property issues happening in the ordinary course of its activities. Each pre-litigation, known litigation or procedure in course the Company is involved in is analyzed at each closing date after consultation of legal counsel. There is no acknowledged litigation as of June 30, 2019.

18.3. Provisions

Provisions amounted to €672 thousand and €690 thousand as of June 30, 2019 and December 31, 2018, respectively. They consisted mainly of the employer contribution in respect of the grants of employee equity instruments. In accordance with IFRS 2, when a Company decides to provide its employees with shares bought back on the market, a provision has to be recognized upon the decision to allocate free shares that are spread over the vesting period.

19. Related party transactions

Members of the Executive Board and Other Executive Members

For each of the period presented, the following compensation was granted to the members of the Executive Committee of the Company and were recognized as expense:

(in thousands of euro)	June 30, 2019	June 30, 2018
Personnel and other short-term employee benefits	1,159	1,109
Extra pension benefits	12	12
Share-based compensation	1,174	425
Executive Board Members and other Executive Members compensation	**2,345**	**1,546**

Odile Belzunce and Jennifer Butler were appointed as members of the Other Executive Members on January 31, 2019 and March 12, 2019, respectively.

Personnel and other short-term employee benefits correspond to amounts included in personnel expenses for the six-month periods ended June 30, 2019 and 2018 respectively

Members of the Supervisory Board

The Company recognized a provision of €155 thousand for attendance fees (*jetons de presence*) relating to the six months ended June 30, 2019. This amount includes the compensation for the Chairman of the Supervisory Board.

Related parties

Novo Nordisk A/S is a shareholder, Supervisory Board member and is related to the Company by three licensing agreements related to the drug-candidates lirilumab, monalizumab and IPH5401. Under the terms of the agreements, Novo Nordisk A/S is eligible to receive milestone payments as well as

royalties on future sales. As of June 30, 2019, the Company has no liability to Novo Nordisk A/S relating IPH5401.

AstraZeneca is a shareholder and is related to the Company through several collaboration and option licensing or license agreements for different drug candidates (monalizumab, IPH5401, IPH5201 and preclinical molecules) and a license agreement for the rights of the drug Lumoxiti. The payments between the two companies as well as the liabilities and receivables as of June 30, 2019 are as follows:

	As of June 30,2019	
(in thousands of euro)	Payments	Assets/Liabilities
Collection (AstraZeneca to the Company) / Receivables	111,810	16,404
Payments (the Company to AstraZeneca) / Liabilities	(51,605)	(21,661)
Total[1]	**60,205**	**(5,257)**

(1) In addition, the Company recognized in the income statement a net expense of €3,821 thousand as net result from distribution agreements (see Note 15) and an R&D expense of €6,415 thousand as operating expenses.

BPI is a board member and has granted the Company a €1,500 thousand interest free loan (Prêt à Taux Zéro Innovation, or "PTZI"). This loan will be reimbursed starting September 2016 over a 5-year period.

Subsidiaries

The business relationships between the Company and its subsidiaries are governed by intra-group agreements, concluded at standard conditions on an arm's length basis.

20. Income / (loss) per share

20.1. Basic income / (loss) per share

Basic income / (loss) 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.

In thousands of euro, except for data share	June 30, 2019	June 30, 2018 restated
Net income/(loss)	13,240	(15,118)
Weighted average number of ordinary shares in circulation	63,987,582	57,600,100
Basic income/(loss) per share (€ per share)	0.21	(0.26)

20.2. Diluted income / (loss) per share

Diluted income (loss) per share is calculated by dividing the net income (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in circulation during the corresponding period, increased by all dilutive potential common shares.

In thousands of euro, except for data share	June 30, 2019	June 30, 2018 restated
Net income/(loss)	13,240	(15,118)
Weighted average number of ordinary shares in circulation	63,987,582	57,600,100
Adjustment for share instruments	1,368,600	-
Diluted income/(loss) per share (€ per share)	0.20	(0.26)

21. Events after the reporting date

- On July 3, 2019, the Executive Board granted 57,376 free shares to members of the management ("AGA Bonus Management 2019-1").
- On July 17, 2019, subsequent to the definitive acquisitions of 66,559 free shares granted on July 3, 2018 under the "AGA Bonus Management 2018-1" plan and the exercise of 25,000 "2011-2" BSA, to carry out a capital increase of €4,578 and an increase in share premium of €39,672, that can be broken down as follows: (i) a creation of 66,559 ordinary shares, with a nominal value of €0.05, for an issue price of €0.05 per share, and (ii) a creation of 25,000 ordinary shares, with a nominal value of €0.05, for an issue price of €1.77 per share.
- On July 31, 2019, the Company notified to AstraZeneca its decision to co-fund a future monalizumab Phase III clinical development program.
- On August 30, 2019, the Company drew down the remaining portion of the €15.2 million loan granted in July 2017 by Société Générale, for an amount of €13.9 million. The loan amounted to €1.3 million as of June 30, 2019. The repayment schedule will begin on August 30, 2019.

STATUTORY AUDITORS' REVIEW REPORT ON THE HALF-YEARLY FINANCIAL INFORMATION

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders of INNATE PHARMA,

In compliance with the assignment entrusted to us by your Annual General Meeting 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 interim condensed consolidated financial statements of Innate Pharma, for the period from January 1 to June 30, 2019,
- the verification of the information presented in the half-yearly management report.

These interim condensed 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.

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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, the IFRS standard as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the note 2.5 of the condensed half-yearly consolidated financial statements, which discloses the errors related to the first semester 2018 that have been corrected to present comparative information.

Specific verification

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

Marseille, September 13, 2019

The Statutory Auditors

AUDIT CONSEIL EXPERTISE SAS	DELOITTE & ASSOCIES
Member of PKF International	
Guy Castinel	Hugues Desgranges

DECLARATION BY THE PERSON RESPONSIBLE FOR THIS HALF-YEAR FINANCIAL REPORT

I hereby declare, to the best of my knowledge, that the condensed consolidated interim financial statements for the six months ended June 30, 2019 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the subsidiaries included in the consolidation, and that the half year management reviews stated on page 5 gives a fair description of the material events that occurred in the first six months of the financial year and their impact on the interim financial statements, as well as a description of the principal risks and uncertainties for the remaining six months of the year, along with the principal transactions with related parties.

Chairman of the Executive Board

Mr Mondher Mahjoubi

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